The MAGAZINE of WALL STREET

and BUSINESS ANALYST

NOVEMBER 13, 1954 85 CENTS

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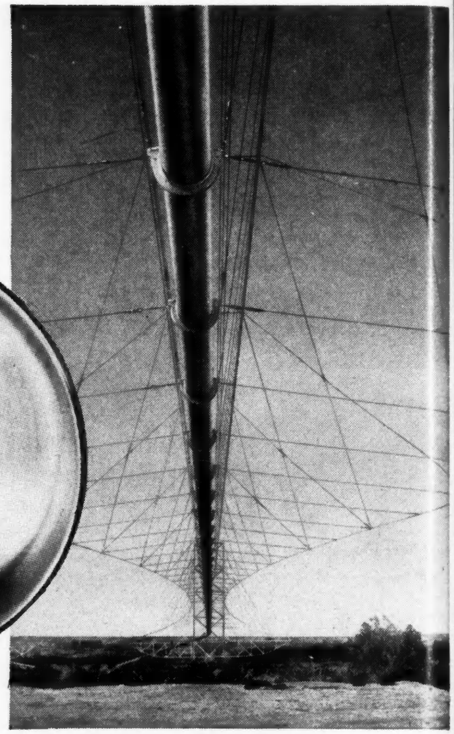

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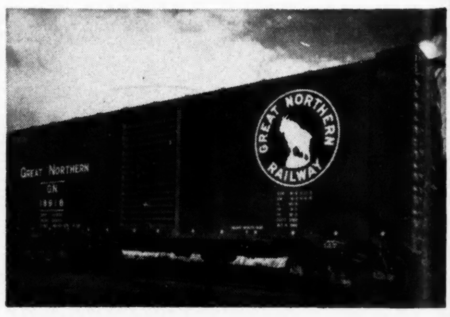

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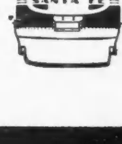

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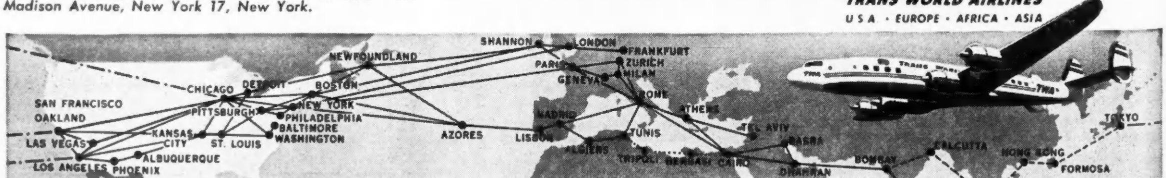
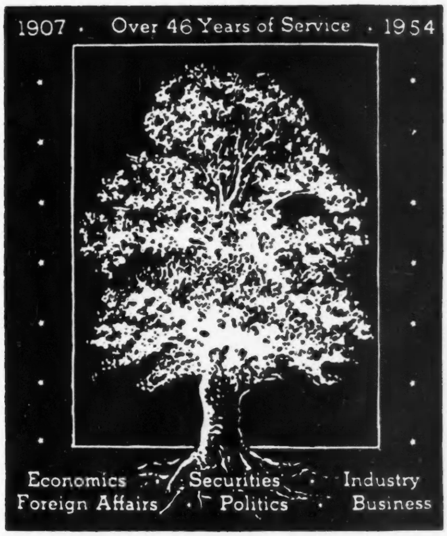


THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE QUEEN MOTHER'S VISIT . . . In honoring us with her gracious presence, the Queen Mother in that inimitable way with which she has managed over the years to captivate her own countrymen, has laid the American people under the benign spell of her charm. In so doing, she undoubtedly proved the best Ambassador her country has sent us for a very long time. Perhaps it was largely with this thought in mind that she made the journey to our shores, for there can be no doubt that up to very recently the relations between the British and American governments were not of the pleasantest, as they should be among allies.

As people, Americans and British respect and admire each other, though they may carp on occasion at each other's foibles. Just as the closest relatives manage to grate on each other's nerves from time to time, so do we and the British. But these are minor frictions. The real trouble has been with the governments. In America, we have come to believe that the British government has failed us on too many important occasions when the international chips were down. We have come to resent what has seemed to us a chronic unwillingness on the part of the British government to appreciate our very real sacrifices on their behalf.

However, in the recent maneuvering, which followed the demise of the European Defense System, Mr. Eden has come better to understand Mr. Dulles' basic position and, reversing his formerly uncooperative attitude, persuaded the other European governments, notably the French, that the American position on the defense of Europe was the correct one. So we have that to be thankful for.

Now the Queen Mother's visit gives us added pleasure. Perhaps that is why the American people have accorded her visit an especial importance, far above that usually associated with visits of royalty to this country.

JUGGLING WITH FIGURES . . . . Though the elections are over and citizens will charitably try to forget some of its more obnoxious features, one phase deserves particuular comment. That is the brazen effort of some democratic politicians to give a misleading impression of current employment data. While not daring to dispute the official figures for employment — around 62.5 million — they certainly have not hesitated to tamper with unemployment figures. Disregarding entirely the most recently published government figures which showed a reduction in unemployment to 2.7 million compared with the previous figure of 3.1 million, they have attempted to make it appear that the unemployment situation remained unchanged from last summer. All may be fair in war, love—and—politics but it is carrying things too far to deal loosely with economic data which is of vital importance to all, regardless of party. One may interpret this data as he chooses—this is a free country—but (*Cont. on next page*)

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

the facts on which the interpretation is based ought to be at least reasonably accurate.

THE BABY CROP . . . America is rapidly becoming one of the most prolific nations on earth and the enormous growth in population is acknowledged as one of the most potent factors in our economy. This year, it is estimated that the birthrate will be around 4.1 million, an all-time record, doubling the rate before World War II started. Population growth and the increase in national well-being go hand in hand as the parallel rate of increase will attest.

Apart from the great potential strength which is accruing to our nation from the rapidly increasing birthrate, it has significance to specific industries. Thus, the millions of new infants and young children, through their mothers, have become the principal customers of manufacturers of food preparations and health accessories catering entirely to the needs of the very young; of manufacturers of toys and nursery equipment; and of manufacturers of infants' and childrens' wear. Under the stimulus of this new, enormous crop of the very young, arise magnified needs for schools and playgrounds, which is of the most direct interest to the building and construction industries. And, of course, as the population expands and millions of new families are created, the need for more and better housing becomes ever more pressing.

Thus, babies are statistics of the utmost importance to this country. If one were seeking for a profitable line of business or for an investment that is reasonably safe, catering to babies and young children would seem to hold definite attractions, aside from the interest and pleasure which the normal person derives from association with those of very tender age.

NOT AN UNMIXED BLESSING . . . Year-end special dividends are usually very much in the mind of investors as the year commences to draw to a close. There is no reason to suppose that the present is an exception. Judged from the already rising list of special dividends, total payments of this type are expected to come close to last year's record-breaking amount, and investors, accordingly, should be quite pleased with their "X-mas bonuses." This year, in particular, investors have cause to rejoice as the new tax law, after long last, made a good start on ending the long standing double tax liability on dividends, so that the net yield to investors has increased substantially.

Since the end of World War II, the custom of declaring extra or special dividends has taken strong hold of managements. Many of them take this route of distributing higher profits to stockholders, in preference to raising the regular rate. This is basically sound because once a regular rate is established, it is important that it be maintained whereas special or extra dividends can easily be adjusted to current earnings. If it should be necessary to reduce the size of the extra in future payments or even eliminate it, investors might be disappointed but they would not be likely to take fright altogether. If, on the other hand, the regular rate should be reduced, stockholders would normally construe this as a sign that the management was no longer optimistic over the company's prospects. This could affect the credit position of the company and, unquestionably, would cause the loss of support among many stockholders.

From one special aspect, the rising trend toward payment of extra and special dividends has complicated the problem of investors. Since the payment of such dividends is less predictable than the payment of regular rates, investors intending to make a purchase cannot be certain as to the exact yield obtainable on an annual basis. Under such conditions, the computation of the yield is necessarily less than accurate. This contrasts with former years, especially before the war, when it was far easier to calculate yields, as the investor had only the regular dividend rate to concern himself with, extras and specials being rather infrequent in those days.

Even where companies have established the custom of paying extras over a period of years, it is not entirely safe for investors to compute the yield on the assumption that these payments are safe as to the regular dividends.

Probably, the most conservative plan would be to compute the yield on the basis of the regular dividends only. Admittedly, this would not tell the whole story in the case of companies which had regularly paid extras over a period of years, and which, in a sense, had become incorporated into normal regular dividends. It would serve as a more accurate guide, however, in the case of companies which had declared extras or specials infrequently.

The subject is of more than academic interest because many investors naturally want to know in advance the yield on the stock they propose to buy.

A COURAGEOUS DECISION . . . Announcement by Eugene Grace, chairman of Bethlehem Steel Corp., that Bethlehem would pursue its merger plans with Youngstown Sheet and Tube, regardless of the opposition of Attorney General Herbert Brownell, is a welcome one.

Mr. Brownell's assertion that the union of Bethlehem's 16 per cent of the nation's steel production with Youngstown's less-than-5 per cent will tend to create a monopoly is rejected at once by common sense. The greatest single factor in the steel market is the United States Steel Corp. Competition in the industry, except in small special markets for unusual steels, means the ability to match the tremendous capacity and high efficiency of Big Steel. It is obviously absurd to say that a merger, which will still leave the proposed Bethlehem-Youngstown combination smaller than Big Steel, means monopoly.

The law is supposed to be the embodiment of common sense. When it misses the mark so widely as in Mr. Brownell's stand against this merger, it is comforting to find an industrialist who will challenge even the highest law official of the land. If the law is what Mr. Brownell says it is, Mr. Grace will still deserve the nation's thanks for his courageous decision. He will have pointed up the need for changing the law.

This country suffered for twenty years from law enforcement based on the delusion that all bigness was bad. In the face of the evidence of their own eyes and pocketbooks, (*Please turn to page* 240)

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

As I See It!

By JOHN CORDELLI

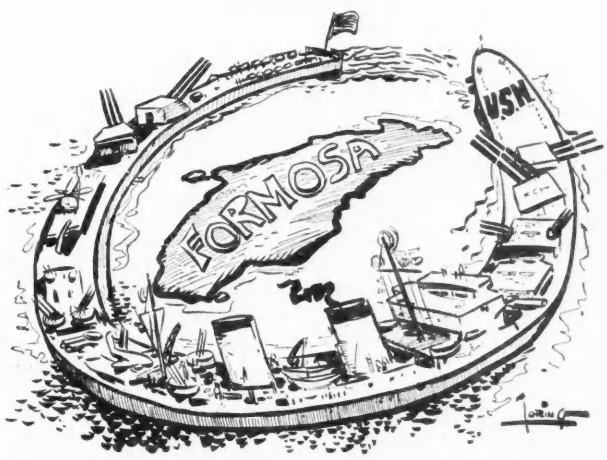
FORMOSA MUST BE KEPT BY FREE WORLD

After nearly two months of calm, there has again been a flare-up in air and artillery activity along the coast of China. Once more the free world is wondering whether this is the beginning of Asia's third "little war," this time for the possession of the Island of Formosa, the last stronghold of the Free China Government. Or is this merely another attempt on the part of the Chinese Reds to get hold of the coastal islands still in the possession of Nationalist China? These islands are geographically a part of the Chinese mainland, some of them, such as the Island of Quemoy, being only four miles off the Coast.

Our European Allies, and the British in particular, have already made it clear that any involvement over the coastal islands would be solely our own affair and that in no case could they be counted on for support. The coastal islands have been used by the Free Chinese as listening posts and as naval bases for interfering with Red Chinese shipping. But their main value has been that they provide an excellent starting point for an invasion of Red China. This last value will mean little if it is true that under a Mutual Defense Pact now being arranged in Washington between the Free China and the United States, the Nationalist Chinese are to refrain from attacking the Communist mainland except in self-defense.

The future of the coastal islands is thus rather uncertain, and their capture, though costly in lives, would provide the Chinese Reds with another prestige victory. On the other hand, the Pact, the negotiation of which has been mainly the work of Walter S. Robertson, Assistant Secretary of State for Far Eastern Affairs, would give still another guarantee to Free China that the United States would automatically help to defend the Island of Formosa against Communist aggression as well as the Pescadores Islands, a chain stretching in the direction of the Philippines. President Eisenhower made the United States attitude plain some time ago when he declared that if the Communists assaulted Formosa they would first have to run over the United States Seventh Fleet, which has been patrolling the Formosa Straits for the last five years.

THE STEEL RING



Loring, in the Providence Evening Bulletin

Formosa has by this time become as essential a part of the free world as have the Philippines or Finland. The re-organized and revitalized Free China Government under Chiang Kai-shek has won the right to its existence by a creditable record of achievements which have made it one of the most prosperous areas in Southeast Asia. Moreover, Formosa has become a rallying point for the millions of overseas Chinese and for that vast multitude of mainland Chinese, who, because of their convictions and individuality, can never surrender to their Communist masters. The will to revolt in Communist China, though smothered, is not dead. A prosperous, successful Formosa acts as a persistent thorn needling and irritating the Peiping Government. For this reason Formosa must be kept free unless appeasement, compromise, and "co-existence" have come to dominate our foreign policies, and unless the Communist regime in China has come to be accepted as permanent.

But even apart from possible recapture of the China mainland, Formosa has become an important link in the defenses of the free world. The growth of Red China's airpower and of Soviet naval power in the Western Pacific has imparted additional strategic value to the island. In Red China's possession, Formosa would breach the long arch of defenses stretching from Okinawa in the Ryu-Kyu Island chain to Saigon in Indo-China, and would expose the Philippines, where the Huk-Communist revolt was liquidated only a short time ago and where radicalism in rural areas still persists. Now that the port of Haiphong in Indo-China is to be turned over to the *(Please turn to page 240)*

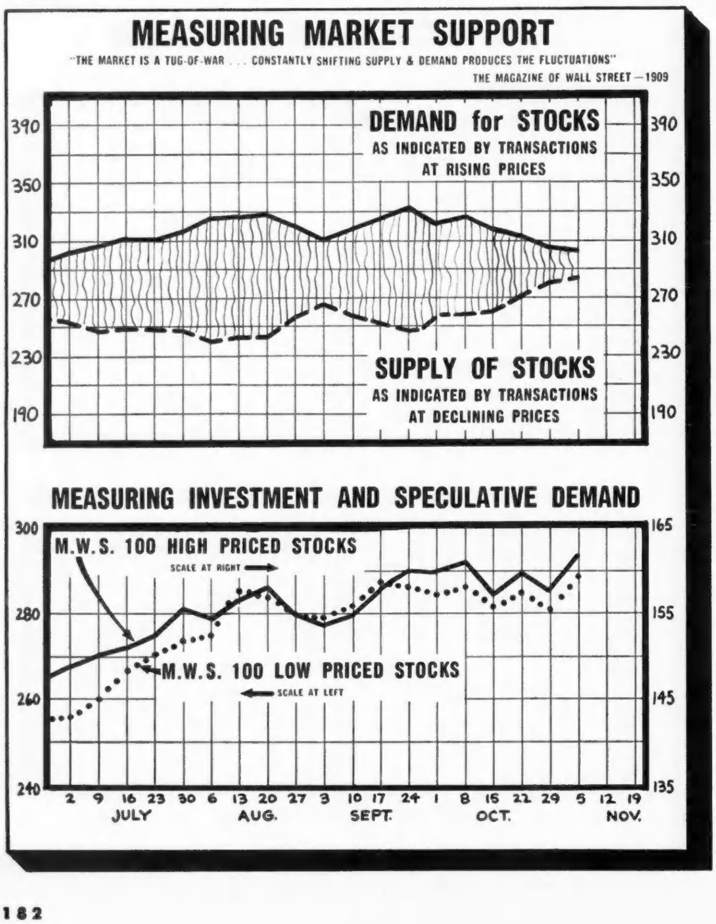
Earnings-Dividend Prospects Still Dominate Market

The better-than-expected results of the election touched off an uncommonly sharp stock market rise, which was checked by profit taking and become more selective toward the end of last week. Attention should quickly turn from politics to normal investment factors. We continue to advocate a prudent, carefully discriminating policy in portfolio management with close attention to changes in individual earnings trends.

By A. T. MILLER

The stock market's initial response to the election news was an explosively sharp two-day rise, on expanded trading volume, which was checked by profit taking and mild recession in last week's final session. Meanwhile, the surge had lifted the Dow industrial and rail averages to new highs for the year and for the cycle of major advance begun in September, 1953. In both cases, the extension of prior highs was by a moderate margin. Utilities, which had been under pre-election pressure for several weeks, staged a substantial rally, but remained under this average's bull-market high of last August. In the first post-election session, the industrial average soared 7.54 points, largest single-day gain in about 15 years. Its total two-day rise was 12.99 points.

Had the Republicans won the election, perhaps the market would have "gone through the roof." Since the Democrats won, the enthusiastic market celebration might seem puzzling to some readers of this discussion. Actually, the reasons are simple. First, this is a bull market, and bull markets tend usually to put the emphasis on the brighter side of almost any national news development. Second, a technical springboard for some rebound—given even a Republican election showing no worse than had been expected—had been provided by a pre-election reaction of 12.29 points in the industrial average between October 6 and October 29, and by pre-election sell-offs also of rails and utilities. Third, the Republican election showing was materially better than had been generally anticipated, so the surprise was on the favorable side. Fourth, the market is thin enough to respond very sharply to any sudden shift in the balance between demand for stocks and the supply for sale.



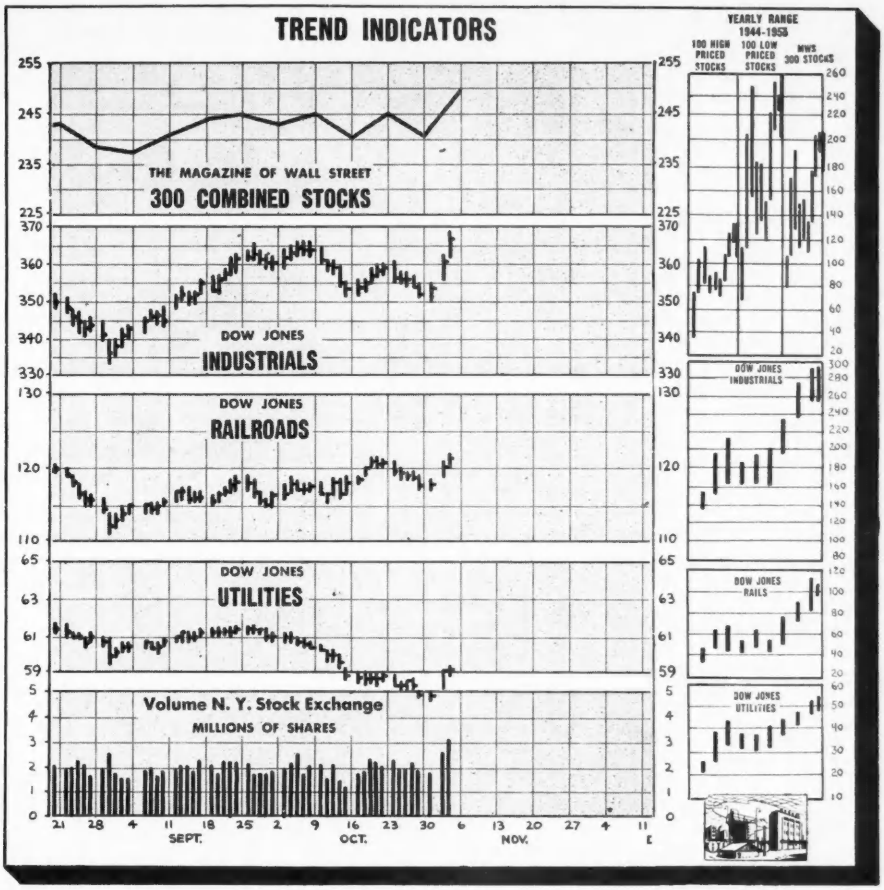
Where Do We Go From Here?

However, "one swallow does not make a summer." The broad rise in stock prices triggered by the election news certainly could not have been expected to continue very long at the extraordinarily fast initial pace; and it would not be surprising if more of the gain is soon cancelled by corrective reaction than was surrendered by the end of last week. Obviously, the election did not add anything to business potentials, or to corporate earnings and dividends. So the market must get back to "business as usual"—to evaluating the economic outlook, and the earnings and dividend prospects of industries and companies. Investors must revert from temporary general enthusiasm to normal preoccupation with "separating the sheep from the goats" in selectively weighing the differing potentials and valuation factors of individual stocks.

Meaning of Election

There are, of course, some construc-

tive general implications in the election results. They suggest that, despite various cross-currents in the returns, the balance of political power in this country is still, as it was in the 1952 election of President Eisenhower, in the hands of voters who prefer the "middle road," who distrust New-Dealism on the Left and Old-Guard Republicanism on the Right. The predicted general protest vote by farm areas against the Administration, for trying to get some reasonable flexibility into the price support program to hold down the huge farm surpluses, failed to materialize. There was no "mandate" in the election for any change in the general policies whereby the Administration has helped to keep the business recession within notably moderate limits, and to facilitate, without radical measures, the upturn now clearly under way.



Though the relief occasioned by the election was undoubtedly one of the prime factors in the rapid increase of stock market prices during the several days immediately following the election, short-covering played a substantial part. Many speculators had been gambling that market doubts expressed in lower prices just prior to the election would be translated into active selling, if the election results had proved unfavorable. When the results proved otherwise, they ran for cover. The thinness of the market in many shares also contributed to the sharp upswing.

It is to be noted, however, that an unusually high percentage of stocks either rallied but moderately or not at all, suggesting that despite the excitement caused by the market uprush most investors had not lost sight of the fundamentals, which meant that prime emphasis in buying was in the better-grade issues and that those with a poor earnings background were not stimulated out of their normal lethargy. This is a point of considerable significance.

Following months of over-all stability, business recovery is in progress and promises to attain at least moderate scope. The various indications of it include a substantial rise in the steel industry's operating rate since August, sharply rising output of 1955-model automobiles, a continuing high level of construction (despite seasonal curtailment in October), a \$2 billion annual-rate September gain in personal income, an improved inflow of manufacturers' total new orders, and current betterment in such previously depressed or slow lines as bituminous coal, radio-TV sets and textiles.

A majority of the corporate interim profit reports have now been issued. While highly mixed, they indicate that aggregate earnings in the first nine months of 1954 were closely in line with a year ago; and that third-quarter profits were about 2% down from the second quarter and 1% off from a year ago. The fourth-quarter is bound to be materially better than the third quarter's showing; and its year-to-year comparison will be the best of any 1954 period. Important improvement over the third quarter is indicated for such lines, among others, as steel, automobiles and auto parts, railroads, textiles, TV set makers, coal, metals and retail trade.

The "fly in the ointment" for the stock market is what it has been for some time—large prior rise and large paring of available dividend yields, especially on institutional-grade stocks; plus the fact that money rates cannot get much, if any, easier, whereas a major fall therein was a powerful market stimulant up to August. On the other hand, the market remains under past cyclical highs, when measured by average price-earnings ratios, dividend yields and the spread between the latter and bond yields—and investment and speculative funds continue the search for selectively attractive employment, especially among stocks which have not yet risen too extremely; or which, even if up widely, still have appeal on a longer-term basis. We believe that a policy of putting the primary emphasis on the relative attractiveness of individual stocks, rather than on the conjectural potential of the general market, as measured by "the averages," will continue to be rewarding. This has been the policy which has given the greatest satisfaction to intelligent investors ever since the end of World War II and still holds true.—Monday, November 8.

Do Democratic gains in the election mean a split in government? Or will the President be able to forge together a workable "coalition" between the conservative and middle-of-the-road wings of both parties? The answer to these questions, to a large extent, will determine not only the political but the business and investment climate of the period ahead.

SURPRISES IN STORE FROM NEW CONGRESS

By HAROLD DuBOIS

New faces in the next Congress will be so few in number that the election should be interpreted as a mandate to continue middle-of-the-road government.

Democrats control both houses of Congress, but their grip is insecure. In neither, does the party have a true working majority, particularly in the Senate. In both, President Eisenhower pulls a respectable vote from democrats even on matters heavily laden with G.O.P. policy.

Many democrats owe their election at least in part to emphasized proofs that they backed Ike's program with regularity that couldn't be improved by substituting republicans in their stead. The roll call votes establish it to be fact that while, in the overall, republican support of the White House was more constant than that of the democrats, there were many individual instances where the contrary was true.

The election had local facets of significance. For example, the ultra-conservative, Joseph Meek, was turned back by Paul Douglas, many of whose senatorial votes had a leftist tinge. On the other hand, F. D. R., Jr., a "liberal," was defeated in New York by Jacob Javits, a conservative. And a write-in "Eisencrat" triumphed in South Carolina over a New Deal-Fair Deal hopeful. In the farm state of Iowa, the only republican house member who voted for the Eisenhower-Benson contentious Flexible Parity Bill, ousted the sitting democratic senator who opposed it, and who wanted the Roosevelt-Truman high price supports. Flexible support votes were counted on to defeat farm state republican nominees.

McCarthyism was not a widely publicized issue because candidates for the most part were running on local questions, had no segmented overall theme. But pollsters found it a warmly debated subject in many Congressional elections where militant, crusading McCarthyites were getting in their licks against critics of the Wisconsin senator. How many lost their elections on this basis can only be speculated, but it is certain that there were some. And when the net result of the senate races is kept in mind, it could even be the major issue.

Actually there is but a fractional change in the make-up of both Houses. It probably would be a safe estimate that 90% of the senators and representatives with whom Ike did rather well in the past two years, will be back again in January. The election outcome on its face endorses the position they took.

Middle-of-the-Road Government Wanted

The election certainly evidenced the fact that the citizens want a middle-of-the-road government. The great majority of Senators and Congressmen elected, Democrats and Republicans alike, are not the sort that would favor radicalism of any sort, and this should help maintain the favorable business and investment climate fostered by the Eisenhower Administration. This means that businessmen and investors can go on with their plans without fear that radical measures might be enacted. So far as political issues are concerned, the Democrats are not likely to carry through with campaign promises that would bring larger deficits and higher prices because they would be handing the Republicans the hottest kind of a campaign issue for 1956.

The mid-term shift from a solid Republican to a split Congress, with a Republican in the White

House, has understandably caused considerable concern in some circles. Historically, Administrative-Legislative splits have caused friction between the White House and Capitol Hill. There have been times when these frictions generated heat damaging to the national economy. However, at least, one White House-Capitol Hill division was of definite good: the last two years of President Truman's first Administration when a Republican Congress reduced taxes and brought about a balanced budget—the first in nearly two decades. This is not cited with a view to intimating that increased Democratic power will force a Republican President to ask further tax cuts or to bring the budget into balance. It is mentioned to point out that a Legislative-Administrative split is not necessarily an evil thing. The country has a Government of "checks and balances" between the three branches — Administrative, Legislative and Judicial. The last named, Judicial, plays no important part in this discussion, but one must scan the possible results of one decision by the Supreme Court which indirectly may prove troubling to the President in his relations with the Congress.

The Democratic House, with an eye to recapturing the White House and having even greater majorities two years hence, will be chary of legislation which could retard the trend toward full employment, plus a reduced national debt. Should the democrats wage a "cold war" on the Republican Administration during the next two-year term, the GOP would have ammunition to suggest a land-slide victory in 1956.

Committee Chairman Dominant

Although control of the House purse strings and its own powerful investigative machinery is now vested in the hands of the Democrats, control of the White House and the executive agencies remains with the Republicans. Control of Congress will be exercised more by individuals—the Committee Chairmen—than by the Democratic National Committee or an *dicta* of the Democratic party. In the final analysis, Congressional action is largely governed by the Chairmen of the various Committees, and Democrats in Congress are more individualists than wheels or cogs in a Party machine. No Committee chairman is an absolute Tsar—he can be over-ridden by a majority of his group. But his power, stemming from tradition and precedent, is such that he can either block, or vastly alter, any legislation within the purview of his Committee. This brings up the important question: Who will these Chairmen be, and what may be expected of them? Will they stymie much that the President wants; merely "blow cold" on a portion of his program—or put forth a major portion of it with modifications to reflect individual opinions? Before attempting an answer, it would be well to list the Committees, their legislative responsibilities, and their respective chairmen.

There are 15 permanent Senate Committees, 18 permanent House Committees, two or three special committees (which might not be continued by the new Congress), and two permanent joint House-Senate Committees, with membership drawn from both chambers. Some of the Committees are known as major; their fields of legislative concern affect the entire country. A few of them are known as minor for the reason that their activities and responsibilities are of not broad import in the overall national scene.

The Senate Committees—in alphabetical order—are Agriculture, Appropriations, Armed Services, Banking and Currency, Finance, Foreign Relations, Government Operations, Interior, Interstate Commerce, Judiciary, Labor, Post Office & Civil Service, Public Works, Rules, and Small Business. Special Senate Committees are Internal Security and Investigations. House Committees, also in alphabetical order, are Agriculture, Appropriations, Armed Services, Banking & Currency, Education & Labor, Foreign Affairs, Government Operations, House Administration, Interior, Interstate Commerce, Judiciary, Merchant Marine, Post Office & Civil Service, Public Works, Rules, Un-American Activities, Veterans' Affairs, and Ways & Means. Joint committees of the two Houses are Atomic Energy and the Economic Report.

Senate Chairmen

Democratic capture of the Senate means that nine Committee Chairmen will be southerners, two from the southwest, one from a border State, one from the West, and one from the Pacific Northwest. Chairmen of the special committees will be southerners. It is pertinent to learn something of the background of these influential legislators as casting light on the kind of future legislation that will be acted on by the 84th Congress.

The Senate Appropriations Committee will be headed by Carl Hayden of Arizona. He can be expected to lean to the liberal side with respect to funds for public power and irrigation projects. Coming from a state which has deep interests in irrigation, Hayden naturally might make a "horse trade"

Some Important Aspects of Election Results

1. **Democrats will be on the offensive with the 1955 White House goal in sight and will stress the issue they found useful in the recent election: the economic situation should be legislatively "managed" by greater control over business, tax relief "from the ground up."**

2. **Republicans will realize they have less chance to establish an affirmative record, will become increasingly the party of resistance to questionable experiment, will cast the democrats in the role of dangerous economic leftists.**

3. **While legislation of momentous implication will be introduced, and some may get by House committees, the fact that there are few personnel changes in the Congress will mean that the over-all product will not differ basically from the first two Eisenhower years.**

4. **As a vote getter, the "Red" threat will be recognized for what it is: a secondary issue.**

5. **The forward march of nationalized utilities has been halted; but for the extremely contentious Dixon-Yates contract it might have been put in full retreat.**

6. **Vice President Nixon has been devalued of one of his most valuable assets: his ability to conciliate, to bring democratic senators of conservative leaning onto his side. He stands accused of applying the brush of "treason" with broad and somewhat reckless strokes during the campaign. Some of the old-line democrats, especially the southerners, are "hopping mad."**

7. **The election results didn't importantly affect Ike's standing with the voters, and he has no duty to the Party to put forth defense—a circumstance that may count heavily in his decision in 1956.**

with senators seeking hydroelectric developments and navigational improvements for their states. This situation portends heavy pork barrel appropriations during the next two years, and perhaps means trouble for the Administration's program of giving private enterprise the opportunity to have fuller share in the development of water resources. In other areas, Hayden is on the thrifty side, whittles funds for executive agencies whose work gets little public attention.

J. W. Fullbright, of Arkansas, since the death of Burnett Maybank of South Carolina, is the senior democrat in line for chairmanship of the Banking and Currency Committee. A Rhodes Scholar and one of the best informed men in the upper chamber, Fullbright may be expected to pursue relentlessly the current investigation of Federal housing windfall scandals. Somewhat on the liberal side, it is probable that he will vigorously support an expanded public housing program, amply safeguarded against the corruption which marked F.H.A. activities in the post-war years.

The Senate Finance Committee will be headed by Walter F. George of Georgia, or Harry F. Byrd of Virginia. George is the ranking democrat on this as well as on the Foreign Relations Committee, but it is very likely that the democrats, in organizing the senate, will elect Byrd to head this group, with George as chairman of Foreign Relations. Like George, Byrd has detailed knowledge of Federal fiscal affairs, and will work toward a balanced budget, insisting upon thrift all along the line. Both are conservatives in the area of public finance.

James E. Murray of Montana, is senior democrat on both the Labor and the Interior Committees. His choice of chairmanship may be the former, but there are some indications that he will get Interior, with Lister Hill of Alabama, heading Labor. Both are liberals from the organized labor viewpoint, with Hill the lesser of the two in that respect. However, representative Graham Barden, of North Carolina, who will head the House Labor Group, will serve as a balance wheel, checking any far-to-the-left legislation which may be fostered by either Murray or Hill.

On the House side, the southern influence will be even more pronounced. Eleven chairmen will be from Dixie, two from border States, one from the Mid-West, one from the Pacific Coast, and three from the North. The Joint Committees, Atomic Energy and Economic Report, will be headed by a Southwesterner and a Mid-Westerner. The preponderance of House Chairmen from Dixie is certain to produce such comments as "The South rides again!", or "The South is in the saddle." The "wise cracks" may be good for a laugh or a frown, depending upon circumstances, but it is a fact that for the past few years, Dixie legislators have moved to the right of center; often have been the most active and outspoken opponents of New Deal and Fair Deal proposals.

Perhaps the best way to look into the legislative "crystal ball" would be to discuss the chairmen of the House Committees, individually—sort of have a look at their thinking as revealed by their records. These sketches may enable the reader to gauge the possible legislative trends of the next two years.

House Chairmen

Agriculture: Harold D. Cooley, of North Carolina, will head this Committee. Now entering his 12th term, Cooley has before headed this Committee and has consistently advocated fixed, high parity prices for farm crops. He may be expected to buck the President's present schedule of flexible parity payments and to include crops not now subject to Government price support. Also, he is certain to support any and all public power proposals which could furnish electricity to (*Please turn to page* 231)

NEW LEGISLATION BEFORE THE 84th CONGRESS

A concise outline of the differing attitudes of both parties on important legislation due to come before the next Congress, together with an estimate as to how the proposed measures will fare.

***Corporation Income Tax*—Rate drops from 52% to 47% unless continued at present rate; Administration is expected to ask present rate extended.**

***Excise Taxes*—Temporary high rates on many commodities will be repealed unless Administration asks renewal, which is probable.**

***Reciprocal Trade Agreements*—Administration will ask for three-year extension of the Act, probably will get it; Presidential committee study will be completed in time for committee consideration.**

***Labor Law*—Revision of the Taft-Hartley Act, referred back to committee by democratic straight party-line vote and favored by republicans, should be enacted.**

***Investigations*—Power companies in particular and holding companies in general seem likely to come under scrutiny under bi-party agreement; antitrust law revision is under way and hearings will produce news.**

***Highways*—Bill to appropriate $50 billions for federal-state mainlines and links is due to come up.**

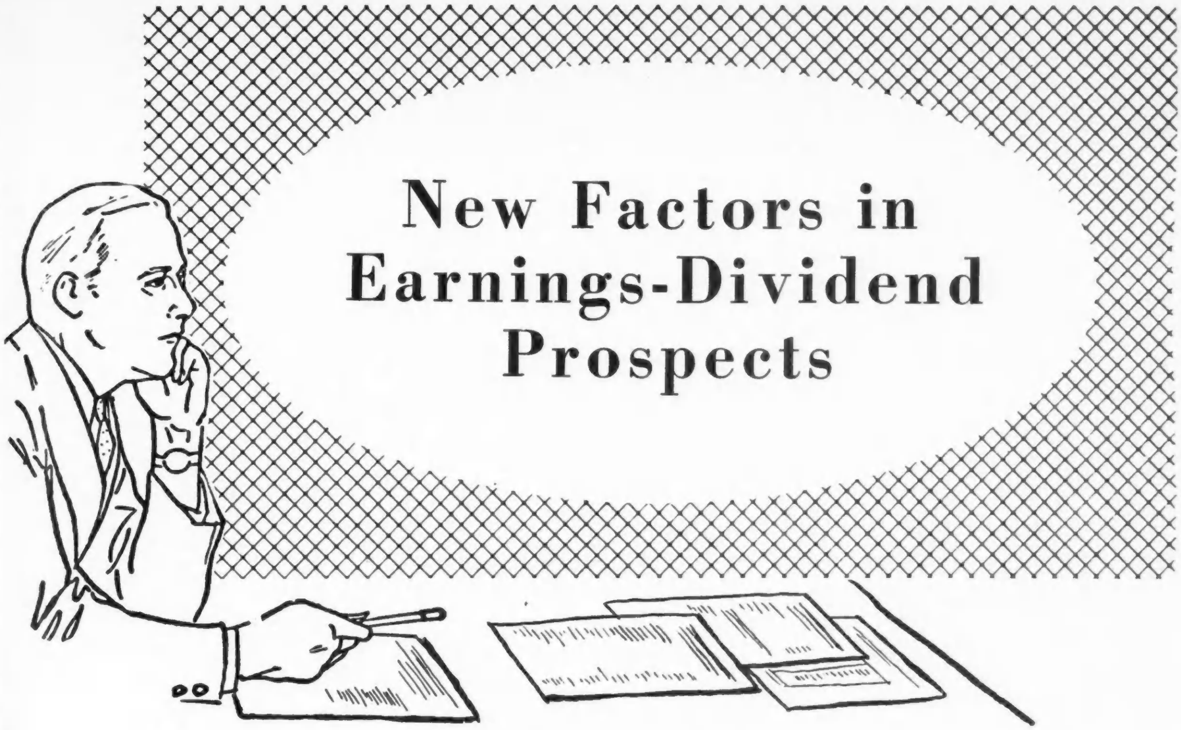
***Agriculture*—Farm Bill will be reopened on the basis of criticisms heard during the campaign. Financial Advisory Committee on Agriculture will report on methods to extend federal help to "underprivileged farmers" (another subsidy?)**

***Public Housing*—White House will ask for substantially enlarged fund for public housing.**

***Fiscal Policy*—Flanders subcommittee of Joint Economic Committee is ready to hold hearings on Federal Reserve Board credit policies and related subjects.**

***Tax Exemptions*—Democrats will use House strength to force personal income tax reductions but are likely to be adamant against further tax aids to business.**

New Factors in Earnings-Dividend Prospects



By WILLIAM S. JORDAN

For a truer evaluation of earnings, investors must now give more heed to several new factors which have emerged in the past few years. The first of these is "rapid amortization" a device by which the federal government, through the Office of Defense Mobilization, made it possible for corporations to build defense plants in order to assist the war effort during the Korean hostilities. Under "rapid amortization" corporations are permitted to charge against income a specified portion of the cost of the new facilities at a much more rapid rate than is permissible under normal tax regulations.

The effects of such amortization, which is considerable in the case of corporations which have cooperated heavily with the government in the building of defense plants, is to materially reduce income tax payments during the first five years of the life of the plant, whereas in normal depreciation, the cost of new facilities may be amortized up to twenty-five years of their life. Naturally, under such a system, tax deductions, when concentrated into a five-year period are much heavier than when spread out over longer terms, and have a proportionate effect on "book earnings, that is to say, the earnings reported to stockholders. In other words, the higher the charges against income through amortization, the lower the stated earnings.

In conjunction with so-called "rapid amorization", the new tax law which went into effect July 1 now permits corporations to increase their normal depreciation charges. This works as follows: businesses may now deduct from taxable income up to two-thirds of the cost of new plant and equipment in the first half of the property's useful life, whereas under the old law the deductions were generally spread over the entire life of the property in question. It will be seen that the double effect of rapid amortization and the newly increased depreciation base is to substantially increase permissible tax deductions against income, and, thereby, to reduce net earnings.

Obviously, it is to the advantage of the company to charge off as much as possible against income, in order to reduce income taxes even though, at the same time, a portion of true earning power is hidden. It is, consequently, important for investors to realize that the earnings reported in quarterly, or annual, statements, only tell part of the story unless he takes the trouble to find out what his company is charging off for amortization and depreciation. In former years, this was not so necessary as the tax deductions for depreciation were relatively small, but under present conditions this factor is of great consequence and must be considered by investors in evaluating earnings.

Special Charges May Exceed "Book Earnings"

In the accompanying small table, for example, it will be seen that rapid amortization on a per share basis, in the instances given, is very substantial. If normal depreciation, especially under the new liberalized conditions, is added, it will be seen that the total can often equal, or exceed, the actual earnings per share reported. For example, U. S. Steel's 1953 rapid amortization charge was equivalent to \$4.02 a share and its normal depreciation was \$5.03, giving a total of \$9.05 a share, an amount considerably in excess of the \$7.54 a share reported as earnings for the year. Accordingly, the "real" or "cash" earnings of the big company were well over \$16 a share, instead of the \$7.54 a share which was reported.

The importance of this is by no means theoretic. It has two very significant aspects from the investor's viewpoint, first, the heavier the tax deduction, the greater the amount of cash in the treasury, to be used either for dividends or capital improvements; and second, when the period of heavy charge-offs is over in five years after completion of construction of the new facility, tax deductions, under normal business conditions, will be much smaller and per share earnings, consequently, proportionately higher. In a sense, the investor receives a substantial bonus in higher earnings by waiting for the conclusion of the five-year period in which rapid amortization operates. In both cases, the investor benefits. During the period of heavy tax deductions, the company's cash increases, enabling it to maintain, and even increase, dividends though earnings may not have increased, or even have declined. After the five-year period, earnings would automatically increase with the decline in tax payments so that payment of more liberal dividends could be facilitated.

Lest the investor be encouraged to believe that the beneficial effects of rapid amortization and heavier depreciation charges are universal, it is necessary to point out that, so far as rapid amortization is concerned, the main beneficiaries are companies that are in the heavy-industry lines. Naturally, this type of industry would have a closer connection to the construction of defense plants than other industries which are more directly identified with consumer needs. Among the industries which have received the largest number of "certificates of necessity" under which rapid amortization is permitted—and these must be so stipulated by the company in order to gain the benefit—are: transportation, chemicals, steel, aircraft, mining, metals, petroleum and public utility. Miscellaneous companies in machinery and equipment manufacturing have also received a very large volume of such certificates of necessity.

$29 Billion in "Certificates"

Though the Korean war has ended, government-sponsored defense buildings by private industry, under certificates of necessity, remains very large. For example, for the twelve months ended March 31, 1954, the total cost of defense facilities expansion increased by $3.2 billion. Since inception of the program, the grand total of such construction of defense facilities was $29 billion, as of last March and by this time must have increased substantially again. Approximately 44% of the grand total of projects has already been completed and 48% is in various

"Cash" vs. Reported Earnings

		1953 Total* Charges Per Share of Common	1953 Stated Earnings Per Share	1953 "Cash" Earnings Per Share	1953 Dividend Paid	1954 Est.** Total Chgs. Per Share of Common	1954 Estimated Earnings Per Share	1954 Est.** "Cash" Earnings Per Share	1954 Indicated Div.
AIRCRAFTS:	Boeing Airplane	$ .86	$ 6.26	$ 7.12	$ 1.75	$ 1.24	$10.00	$11.24	$ 2.40
	North American Aviation	1.36	3.72	5.08	.75	1.97	6.00	7.97	2.75
AUTOMOBILE:	Chrysler Corp.	5.39	8.59	13.98	6.00	6.03	2.50	8.53	4.50
	General Motors	2.03	6.69	8.72	4.00	2.30	8.25	10.55	5.00
AUTO EQUIPMENT:	Bendix Aviation	2.64	8.20	10.84	3.00	2.95	10.50	13.45	3.00[1]
	Borg-Warner	3.54	9.77	13.31	5.00	3.96	8.50	12.46	5.00
BUILDING:	American Radiator & S. S.	.44	1.83	2.27	1.25	.44	2.00	2.44	1.25
	Johns-Manville	3.22	6.20	9.42	4.25	3.22	5.50	8.72	4.25
CHEMICAL:	Allied Chemical & Dye	2.55	5.10	7.65	3.00	2.80	5.25	8.05	3.00
	Union Carbide & Carbon	2.60	3.55	6.15	2.50	2.86	3.25	6.11	2.50
ELECTRICAL EQUIPMENT:	General Electric	.77	1.92	2.69	1.33	.89	2.25	3.14	1.47
	Westinghouse Electric	1.78	4.53	6.31	2.00	2.06	5.25	7.31	2.50
FOOD PRODUCTS:	Corn Products Refining	1.74	5.42	7.16	3.60	1.84	5.45	7.29	3.85
	General Foods	1.14	4.66	5.80	2.65	1.20	5.25	6.45	2.70
IRON & STEEL:	Bethlehem Steel	7.69	13.30	20.99	4.00	8.22	10.50	18.72	5.75
	U. S. Steel	9.05	7.54	16.59	3.00	9.68	6.25	15.93	3.00
MACHINERY:	Babcock & Wilcox	2.83	7.75	10.58	2.00[1]	3.16	8.00	11.16	2.00[1]
	Ingersoll-Rand	.55	10.69	11.24	7.00	.61	10.75	11.36	7.50
MACHINE TOOL:	Cincinnati Milling Machine	6.60	12.77	19.37	4.00	7.72	14.00	21.72	4.00
METALS:	Aluminum Co. of America	5.82	4.71	10.53	1.57	7.56	4.00	11.56	2.00
	Kennecott Copper	.85	8.20	9.05	6.00	1.10	6.75	7.85	6.00
PAPER:	International Paper	2.59	6.44	9.03	3.00[1]	2.64	6.00	8.64	3.00
	West Virginia Pulp & Paper	1.59	2.83	4.42	1.00	1.62	2.75	4.37	1.40
PETROLEUM:	Standard Oil (New Jersey)	4.44	9.13	13.57	4.50	4.44	9.75	14.19	4.60
	Texas Co.	5.50	7.01	12.51	3.40	5.50	7.25	12.75	3.50
RETAIL TRADE:	Federated Dept. Stores	1.53	3.74	5.27	2.50	1.53	4.25	5.78	2.50
	May Department Stores	1.01	2.62	3.63	1.80	1.01	2.65	3.66	1.80

*—Includes depletion, depreciation and amortization.
**—Based on industry changes (1954) according to Federal Trade Commission.
1—Plus stock.

Contrasts in Rapid Amortization for Selected Companies

	1953 Rapid Amortization Per Share	1953 Stated Earnings Per Share
Allied Chemical & Dye	$ .88	$ 5.10
Aluminum Co. of America	3.32	4.71
Bethlehem Steel	3.65	13.30
Boeing Airplane	.31	6.26
Cincinnati Milling Machine	5.25	12.77
General Electric	.12	1.92
General Motors	.37	6.69
Kennecott Copper	.08	8.20
Union Carbide & Carbon	1.07	3.55
U. S. Steel	4.02	7.54
Westinghouse Electric	5.29	4.53
West Virginia Pulp & Paper	.32	2.83

stages of completion. About 8% has not been started yet. Since most of the grand total of projects will increase the total of rapid amortization charges over the next two or three years, at least, it is obvious that this factor in earnings is extremely significant. It is estimated that within several years, companies will be permitted to charge off as much as $2 billion annually on faster tax write-offs for amortization and depreciation.

Not only must rapid amortization and higher depreciation charges through liberalization of the law be considered in appraising real earnings but the rate of depreciation is steadily growing with the increase in obsolence of old plant and equipment.

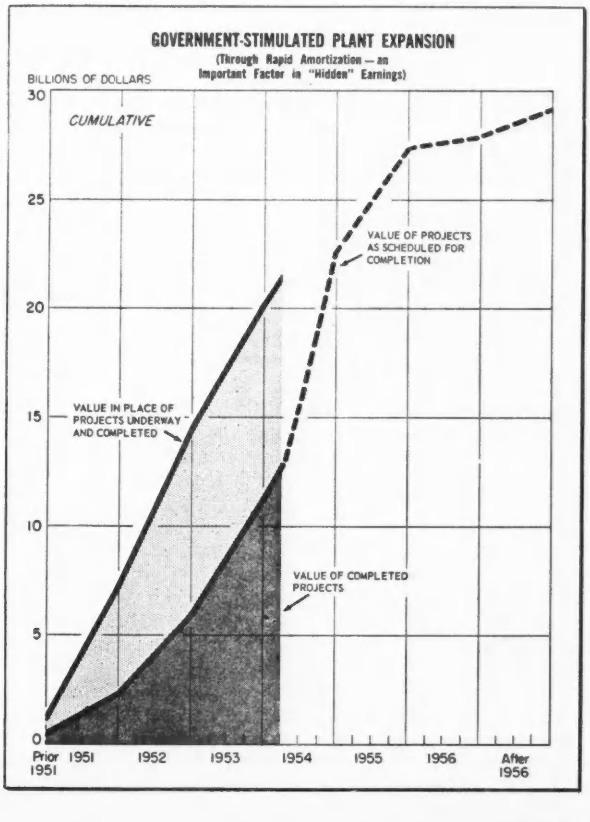
In addition, specific industries have been favored by higher allowances for depletion. Thus producers of certain "critical and strategic" materials are given additional tax allowances through entitling them to deduct 23% of gross income for depletion against the older rate of 15%. This means that copper, lead and zinc companies, for example, will receive an additional tax benefit, bringing them not far from the favorable 27½% which has been allowed petroleum companies for many years and which has been one of the principal factors in their maintenance of high earnings. This could be a factor of not inconsiderable importance to the mining companies and others engaged in extraction of raw materials.

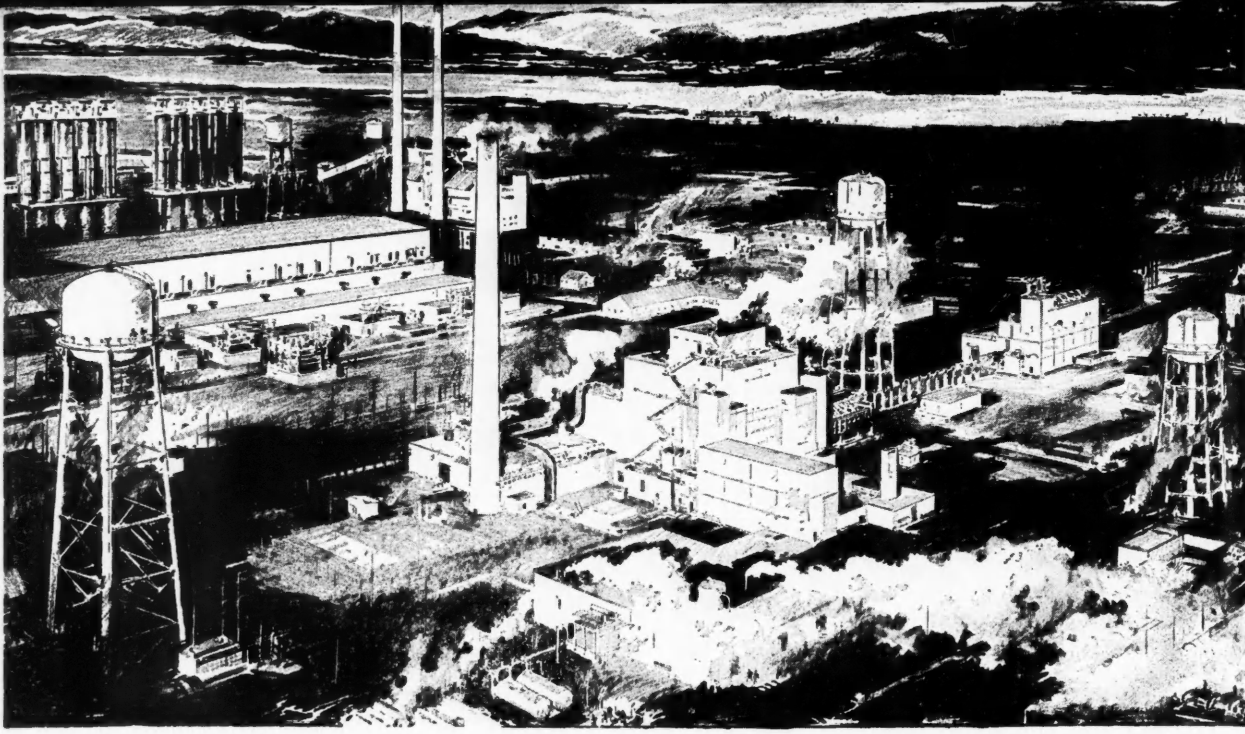
Of course, a host of companies have no benefit from unusual amortization charges. These will be found among retail stores, movies, textiles, shoe & leather and the consumer goods industries generally. On the other hand, normal depreciation charges must be considered, as usual.

Among the newer industries receiving a larger volume of certificates of necessity are titanium-processing plants. This is accomplished under a program designed to increase the processing capacity for titanium to 37,500 tons annually by 1956. This metal is considered of highest importance to the airplane manufacturing industry on account of its extreme lightness and heat-resisting nature.

In the limited space available for this discussion of the effects of rapid amortization and depreciation charges on earnings and dividends, it is difficult to do more than sketch out the essentials. A good-sized book would be required to cover the field comprehensively. Nevertheless, enough has been mentioned here to suggest to serious investors the necessity of taking another look at the earnings of their companies. For one thing, a closer look at real earnings may explain to the investor why his company is able to maintain or increase dividends despite the fact that reported earnings may have declined. For the fact remains that what management is concerned with is the totality of earnings, which is to say "cash" earnings, and "cash" earnings, as we have learned, is the total of reported earnings plus rapid amortization and depreciation. This is what the investor should consider as a true reflection of earnings and as the most realistic basis for evaluating dividend prospects.

Ability of companies to make profits even in a period of reduced operations-the steel industry is a good example—is an important factor and, undoubtedly, in the instance of this industry and others, the lapse of the excess profits tax has played an essential part in this year's earnings; and has been one of the factors in maintaining market strength for such issues. However, not enough attention has been paid to the even more important factor of amortization and depreciation charges. As will be seen from the accompanying large table, practically all the companies listed had extremely heavy charges for amortization and depreciation last year. In a number of instances ,this exceeded the amount of earnings per share, as reported. Inasmuch as many (*Please turn to page* 233)





CAN ANTI-TRUST SUITS STOP MERGERS?

By WALLACE D. HORTON

Shortly before the First World War, the Federal Government moved against the New York, New Haven and Hartford Railroad, under the Sherman Law, as an illegal combination. Investigations by both the Department of Justice and the Interstate Commerce Commission, with Louis Brandeis as chief prosecutor, showed how Charles Mellen, President of the New Haven, and his associates sought to create a transportation monopoly covering all New England. Mr. Mellen asserted that such was his purpose because New England naturally lent itself to a transportation monopoly.

When the war came, the Government took over the railroad and William Gibbs McAdoo, as Director General of Railroads, created District No. 1, comprising the New England States, announcing that New England naturally and geographically lent itself to a transportation monopoly! What was a criminal undertaking for the New Haven was natural and beneficent for the Government. Yet both Charles Mellen and William McAdoo sought the same ends—efficient and economical operation!

This experience serves to emphasize the absence of any dogmatic rule that can be applied to combinations in the field of business. If there is a policy, it is a shifting one which alters with political winds as well as with changing economic conditions. In 1954, investors have watched with keenest interest the trend toward the merging of business enterprises of many kinds. While the Department of Justice seldom announces what it is doing in advance, the Federal Trade Commission, which is especially charged with enforcement of the Clayton Act, has stated that it has under examination no less than 209 proposed mergers or acquisitions.

Attorney-General's Position

There was every appearance of a long-term merger trend which would continue into 1955, perhaps beyond. Then came the announcement of Attorney General Brownell refusing to agree to the proposed merging of the Bethlehem Steel Corp., and the Youngstown Sheet & Tube Company, on the ground that such a combination would answer the definition of the anti-trust laws and substantially reduce competition. That the chief law officer of the Eisenhower Administration, avowedly a business regime, should assume this attitude was looked upon in some quarters as amounting well-nigh to heresy.

The basic error in this tendency toward shock at Mr. Brownell's interference springs from a lack of historical knowledge of what has gone before or, at least, lack of an adequate appraisal of the record.

Suits Filed Under the Federal Anti-Trust Laws by Administrations

(SINCE THE SHERMAN LAW OF 1890)

President	Number of Cases
HARRISON	6
CLEVELAND	9
McKINLEY	3
T. ROOSEVELT	43
TAFT	62
WILSON	91
HARDING	7
COOLIDGE	123
HOOVER	24
F. D. ROOSEVELT	432
TRUMAN	296
EISENHOWER	88

Mergers of Manufacturing & Mining Companies

	Number of Companies
1919-28	5,814
1929-38	3,342
1939-48	2,414
1949-54	2,950

Although that liberal President, Theodore Roosevelt, regarded as almost wild-eyed by many of his big business contemporaries, to this day is given the name of Trust-buster, his record of bringing anti-trust suits, though significant, was vastly exceeded by his far more conservative successor, President Taft! Indeed, Trust-buster Theodore Roosevelt, despite a long term in office, ranks among the lesser champions of trust dissolution!

One important fact to bear in mind is that, over the years, there has been a steady increase in the body of Federal law forbidding combinations in restraint of trade, conspiracies to prey upon the public or otherwise seek to control or offset natural forces of supply and demand. An equally important fact is that, with the growth of the nation and the bewildering ramifications of its industry, the pressures affecting business have altered and, to an astonishing extent, what might have looked evil a generation or two ago, looks beneficent today.

The Sherman Act was approved July 2, 1890 and, for a generation, was the only fundamental Federal statute against monopolies. It was not until September 26, 1914 that the Federal Trade Commission Act was passed, creating new safeguards against encroachments of business and providing an entirely new instrumentality of enforcement. This statute contained the especially interesting provision that any one engaged in business could file a secret complaint with the Federal Trade Commission, have the complaint investigated and if it were found to have merit, see an action brought in the name of the Commission. This, inevitably, brought before a Federal agency complaints of unfair business practices which previously never would have seen the light of day.

In the same year, on October 15, 1914, the Congress passed the Clayton Act, broadening the field and increasing governmental power. On June 19, 1936 the Robinson-Patman Act was passed which reached out still further into the field of business practices. Through the intervening years, there had been supplemental statutes in the form of amendments to the basic acts, all serving to strengthen the hand of the Federal Government against business. The latest significant enactment came as late as 1950 when an amendment to Section 7 of the Clayton Act conferred specific power to forestall corporate mergers.

So it is seen that, with the tremendous multiplication of business enterprises, with the staggering number of inventions and processes which have resulted in the creation of entire industries which had no existence whatever in the earlier days on the one hand and with the growth of the body of Federal law opening new avenues of procedure, it has been but an inevitable development that the successive Attorneys General should find more to do.

The evolution of anti-trust action somewhat illuminates not only the past but throws some light on what investors might expect to develop in the present and the near future. President Harrison was head of the Government when the Sherman Law was enacted and the first anti-trust suit was filed October 13, 1890 against the members of the Nashville Coal Exchange charging control of the Tennessee and Kentucky market and fixing prices. A dissolution decree was entered June 4, 1891. Only six anti-trust suits were filed in the Harrison Administration.

Nine anti-trust suits were filed in the second Cleveland Administration, among them the first notable example of using the Sherman Law for what was regarded as a political purpose. On December 14, 1894, the suit against Eugene V. Debs was brought, ending in a conviction and helping that extraordinary labor figure on his road to fame. In President McKinley's time only three anti-trust suits were filed and then came the Trust-buster, Theodore Roosevelt. Among the 43 suits brought were the Northern Securities, the first holding company case, with the Standard Oil, American Tobacco, duPont, Reading Railroad, Swift, Armour and American Ice among others. These were, of course, immensely significant especially as indicating a fearlessness in the face of Big Business, the type of business that had grown to huge size in the first great corporation-building era.

Historic Anti-Trust Suits

Yet, in comparison, the ultra-conservative Taft showed a larger score with 62 anti-trust suits filed including some of the most historic such as the cases to dissolve United States Steel, National Cash Register, United Shoe Machinery, International Harvester, American Sugar Re- (*Please turn to page* 233)

Mergers in the Making

- American Woolen Co. — Textron Incorporated
- Bethlehem Steel Corp. — Youngstown Sheet & Tube Co.
- Bigelow-Sanford Carpet Co. — Mohawk Carpet Mills
- Carrier Corporation — Affiliated Gas Equipment, Inc.
- Certain-Teed Products Corp. — Wm. Cameron & Co.
- Colorado Oil & Gas Co. — Derby Oil Co.
- Gardner-Denver Co. — Keller Tool Co.
- Merritt-hapman & Scott Corp. — Marion Power Shovel Co.
- Washington Gas & Electric Co. — Seattle Gas Co.

Still Lower Farm Income In Sight

By "VERITAS"

SCIENCE has given the equivalent of many lifetimes to study of atomic energy and admits it has but scratched the surface, but there is nothing imponderable in this newly-tapped force insofar as the CIO is concerned. It is, says the labor organization, a "Golden Windfall for Big Business." Lamented is the fact that the taxpayers have expended $12 billion to create a new public domain—the field of atomic energy or nuclear fission—and "turned it over to private industry." And money, too, for development! CIO thinks use and development should lie somewhere between government monopoly and limited private use—just where isn't stated.

WASHINGTON SEES:

When the tumult and shouting of an off-year national election give way to sound reasoning it will be seen that the pointing with pride, or viewing with alarm, are tools of the professional politicians and that the stakes aren't always as high as pictured.

The balloting just ended, changes only a minor part of the federal, state, and local personnel concerned with gathering and spending the taxpayer's money, providing for his protection and his future.

Only one-third of the U. S. Senate was on the block and there were relatively few changes. The entire House membership (except Maine seats) were voted on but only a handful of displacements were brought about. So the Senate and House which goes to work in January is almost identical with the one now sitting; state administrations witnessed few legislative shifts. The White House and all the government agencies will be in the same hands next year as now.

On Capitol Hill there is little quarrel on broad issues: defense and foreign affairs differences go to details rather than broad purposes and methods —it could hardly be otherwise when both parties are claiming the programs to be their own. Organized labor usually looks to the democrats for statutory miracles but it should be remembered that it was a solid democrat vote that sent the Taft-Hartley amendments back to committee this year.

The democrats discovered in the campaign that fighting Ike doesn't pay off. On the other hand, the President knows he needs democratic votes to put over any kind of program. Against such a background, those who look to two years of brawling are in for disappointment.

FARM PRICES, already plaguing the Administration, dropped another 2 per cent for the month ended Oct. 18 and naturally the White House and Secretary Benson were blamed. The fact that the Eisenhower Administration hasn't changed a dotted "i" of the farm legislation enacted by the democrats hasn't softened the blow of criticism aimed at the GOP. But there is more of same news ahead: USDA predicts a slight drop in farm income through 1955; says it will result largely from a smaller volume of marketings, particularly of wheat and cotton, coming in the wake of crop reduction.

FOREIGN TRADE matters of major importance are being debated in sessions which began at Geneva last week and unless the demands of a large part of industry and agriculture are met the U. S. delegates to the General Agreement on Tariffs and Trade will run up against a determined lobby here to defeat ratification of what they recommend. Biggest issue is Article 28 (supported here) which would permit unilateral withdrawal of trade concessions after notification and discussion. Its effective date has been twice postponed. It becomes operative July 1, 1955 unless GATT says wait again. Business, industry, and congress are represented in the U. S. delegation.

CERTAIN to come up in congress next year is revision of the tax laws to allow a 14 percentage-point differential for income received from foreign sources. The senate deleted such a provision in this year's big rewrite. President Eisenhower and the Randall Commission support the idea. Also to come up is a provision allowing U. S. corporations to treat foreign investments either as a branch of subsidiary for tax purposes. The idea is to encourage American investments overseas and it's a plain subsidy.

As We Go To Press

An old tactic, sparingly used in the past, is developing into a major stratagem to defeat the purposes of federal statutes whose reach encompasses articulate groups of dissatisfied citizens. It consists of warfare against methods of administration, and interpretation. For example, labor's efforts to kill the Taft-Hartley Law via repeal have about ended. But while there now is tacit admission that labor and management can live under the Fair Labor Standards Act, the charge is being made that the National Labor Relations Board is loaded against the unions. Claim is that the board is "interpreting" entirely new provisions into the statute; that the legislative intent is being distorted. It happens that several of the major policy rulings of the past year have tended to favor management. But it is significant that the opposition has not chanced court confirmation in a test of any of them.

Then, there's the antitrust law administration, by the Department of Justice. There are several critical factions here. As might be expected Justice actions are being assailed as too harsh, too gentle, too much, too little -- and biased in all directions. Here, again, labor is taking a big hand in the play. Nothing in departmental actions or court decisions over the years appears to have the capacity to persuade away the tenet of unionism that bigness should be suspect -- that a large business organization ipso facto must be crowding out competition.

And in business circles, such situations as the steel company mergers have brought about administrative opinions which displease. Result, again, is assault based on what the federal lawyers are reading into the law. (It must be conceded that the Department of Justice batting average in this field hasn't been high.) The Administration has taken cognizance of pyramiding complaints and has ordered official study of corporate mergers and acquisitions. The significance of choosing the Federal Trade Commission to make the inquiry, rather than giving it to the antitrust division of the Department of Justice, seems worthy of appraisal. It wasn't obscure to the FTC in any event. Announcing that the survey was about to be made, the commission's chairman said frankly: "The study was authorized against a background of intensified public interest in the subject of mergers and acquisitions."

And there has been some interpreting on the part of the spokesmen of labor. They have called the tax program enacted this year a handout to the wealthy, pictured it as having neither the intent nor the purpose of benefiting the average citizen. That interpretation overlooks cuts in individual income tax payments, and a new social security bill which not only increases payments and other benefits to those now on the rolls, but paves the way for millions of others to collect. Those amendments were sponsored largely by the labor groups. When Ike put it flatly to congress to provide the financial means to support any additional money outlay that might be voted, labor didn't withdraw its support. But the benefits ultimately were voted. And the payroll tax wasn't upped in proportion.

The suggestion that the not readily-definable common man has suffered by reason of loading Eisenhower appointees onto administrative boards, also is subject to closer examination. Because it is one of those most frequently, and feelingly, attacked, the National Labor Relations Board may serve as a proving ground. The interpretations, previously referred to, are being charged against three GOP members, appointed by Ike to effect changeover in the political complexion of the board. But far from being the product of a wilful trio, board decisions run to unanimous findings. About 1000 cases have been decided by the NLRB since it acquired the Eisenhower appointees. In 900 of these cases, the vote was unanimous. In about 20 cases (2 per cent) the vote paralleled party lines. In the Supreme Court of the United States dissents marked 50 per cent of opinions handed down.

Pessimistic as it is, it's accepted in Washington as fact that disarmament hasn't really moved toward realization just because the United States, Britain, France, Canada, and Russia have agreed to work on a committee looking to that end. The Soviet hasn't shown signs of willingness to do more than talk about the subject. And the Kremlin wants, as usual, to control the conversations. Joining the western world at the committee table fits nicely into the Red pattern of "peace offensive." Translated into actual aims that means the democratic nations should drop their guard. Practical minds see no hope for disarmament while the United States insists on international inspections to see that a pact remains unbroken, and Russia stands firmly against such policing. None of the other participating nations, conscious of all past history, is willing to accept Russia's word that she won't secretly rebuild her military might and let it go at that.

Difficult for personnel experts to comprehend is the Administration's attitude toward federal career service. A foundation stone of good public service and so recognized in the platforms of both parties for half a century, the civil service has been chipped away by Eisenhower policies. And there's signs that this trend will be enlarged upon, in view of the outcome of litigation which began soon after Ike's Department of Justice fired a career lawyer via the process of lifting his civil service protection. The circuit court last month struck down Justice's claim of power to brush aside this cloak. The Supreme Court has refused to disturb the ruling.

Only possible gain is a relative handful of jobs to be handed out to the faithful. On the debit side, the action runs against established practice, installs a spoils system, and loses the friendship of millions who now have merit system jobs. The case against the government was financed by thousands of contributions from government workers who felt they had a stake in the outcome, wanted to spank the Administration. When a coup of Railway Labor Board civil service jobs was recently projected (with White House approval) howls of protest came from Capitol Hill. Lead man was Rep. Charles A. Wolverton, republican, chairman of the interstate commerce committee and key "Ike man." This was a brazen attempt to fire men long on jobs -- key posts -- to make way for job-hungry GOP.

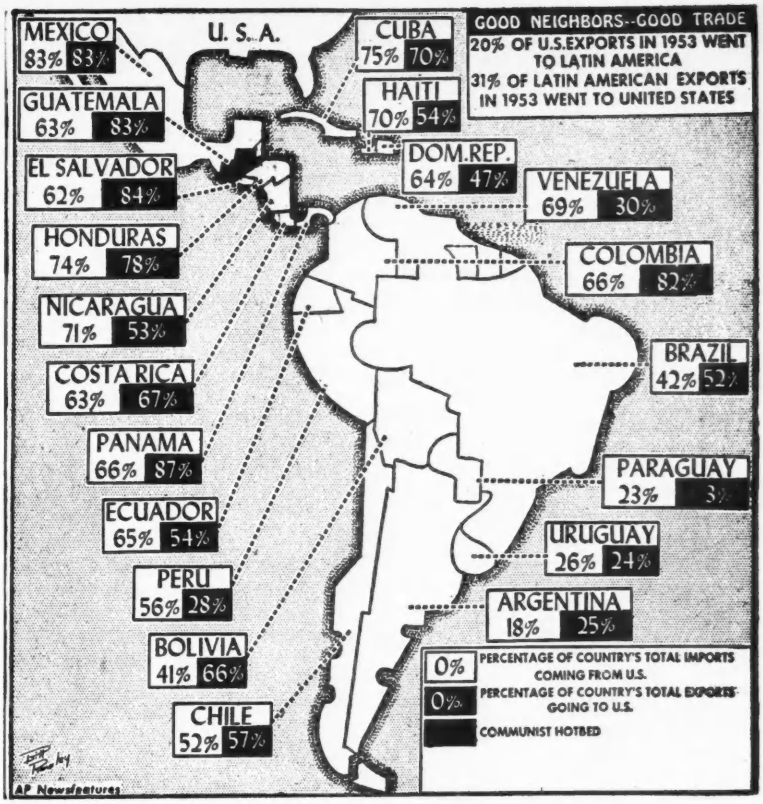
Merger of the American Federation of Labor and the Congress of Industrial Organizations will be accomplished this year, the Machinists' Union (AFL) flatly predicts. Both sides of this long-simmering question were represented in recent Washington meetings. Appointed was a committee to make soundings among affiliates of each group, work out a plan of action. Although millions of dues-paying members would be affected, the delicate balance to be maintained between President George Meany of AFL, and President Walter Reuther of CIO, is the real problem. An amalgamated body of union membership can hardly have two men on identical top levels. Neither is willing to be a subsidiary of the other. Regardless of how Meany or Reuther might feel, their memberships would not consent to second billing.

Lending policies of Small Business Administration will come under congressional scrutiny early in the next session. This time it's complaint against a too-rigid set of requirements rather than, as in the case of FHA, too much liberality. Congressmen have been told that SBA is not nearly as active in the loan-to-business field as its reports indicate; they say the number of "approved loans" has little resemblance to the list of "executed loans." It has been suggested that the records be brought to Capitol Hill and the reasons for rejection of would-be borrowers explored. It is said that hundreds of businessmen have read the rules, after completing other negotiations, and no longer were interested.

One of the barriers to borrowings from SBA is its policy affecting "after acquired" assets. The Administration approves applications for business loans on the usual considerations, always insisting upon sufficient collateral and proof of ability to repay. But the borrower then is confronted with a note form in which he finds himself pledging in advance not only the stated collateral, but also any assets which he might later acquire. While it's agreed that any properties in the hands of a debtor may be executed upon to satisfy a court judgment, it is also true that prior claims against assets make them useless as collateral, backing loans for operating expenses or expansion.

"Blow-Off" in LATIN AMERICA

By V. L. HOROTH



The suicide of President Gentulio Vargas of Brazil last August and anti-North American demonstrations in various sections of that traditionally friendly country brought home rather unexpectedly the fact that a mood dangerous to the solidarity of the Western Hemisphere has been developing in Latin America. In his farewell letter, President Vargas incited the "shirtless ones"—the rising worker class—against the business and military, and without naming a country, against the "looting of Brazil by international economic and financial groups." In Chile, the record rise in the cost of living—nearly 40 per cent during the first half of 1954—has led to serious strikes and further spread of radicalism. In Paraguay, a revolutionary junta deposed President Chavez last May, while in Ecuador a month later, liberal and radical parties scored heavy gains. There is unrest even in otherwise prosperous Colombia. In Central America, Nicaragua and Costa Rica have been on the verge of war. Nor are Latin Americans happy about the victory of anti-Communists in Guatemala; there seems to be a widespread belief that the overthrow was engineered and financed by the U. S. State Department, and, as such was an interference in internal politics, which are held sacrosanct in Latin America.

Why all this seething in Latin America, and why is the sentiment turning against the United States? Probably the best explanation is that the struggle for economic growth in Latin America has been growing more and more intense. After fifteen years of unprecedented prosperity and expansion, the economic growth of individual Latin American countries shows signs of marked slackening in the face of rapidly growing populations. Many countries—especially those which industrialized heavily during the war and immediate postwar years—are faced with the problem of providing employment.

And the growth of population in Latin America is almost staggering. The annual increase is almost twice as great as in the rest of the world, amounting to over 4 million people a year. By 1975, Latin American population, which is now nearing 170 million, is expected to increase to 250 to 260 million. This points to Latin America as the great market of the future—if the problems of economic growth are somehow solved. It was estimated recently that our exports to Latin America, which in 1953 totaled about \$3.1 billion, may increase to \$6 to \$7 billion by the mid-seventies, while our Latin American investments, now around \$1.2 billion, may grow to \$3.5 billion, if "investment climate is favorable."

While the rate of economic growth varies greatly from one Latin American country to another, the main reasons for the slackening of the growth are two: the return of more normal conditions in world markets for Latin American products, and inflation.

Export earnings have always been one of the most important sources of investment capital in Latin America. With competition in world markets getting stiffer and with the restoration of agricultural production in Western Europe, export earnings have been falling off, and there is not much hope that they will be increased unless Latin America's export capacity is expanded. The chance of another "price windfall," such as occurred after the Korean war outbreak and again last spring after "the coffee shortage scare," is slim.

Second, years of inflation have completely distorted the flow of domestic investment capital. There

U. S. Trade with Latin America

(In Millions of Dollars)

	First Half 1953	Second Half 1953	First Half 1954
Exports to Latin America:			
Grains & Preparations	66	105	82
Other foodstuffs	94	106	90
Cotton	8	3	3
Inedible fats & oils	10	9	7
Tobacco & manufact.	11	11	10
Textiles manufact.	91	94	90
Petroleum products	56	51	49
Coal & related products	8	10	9
Iron & steel mill products	61	73	83
Copper & copper alloys	14	8	6
Industrial machinery	219	211	211
Electrical apparatus	103	113	104
Office appliances	11	10	10
Agricultural mach. & tractors	61	56	44
All other machinery	4	5	3
Automobiles including accessories	210	167	174
Chemicals & related products	171	149	134
All other products	338	316	314
Total exports	1,493	1,641	1,626
Imports from Latin America:			
Coffee	793	691	681
Cane sugar	190	134	186
Other foodstuffs	187	150	194
Wool, raw	36	46	79
Other textile fibers	26	29	40
Nonferrous metals	204	184	281
Petroleum & products	239	227	200
Chemicals	19	10	24
Sawmill products	7	8	8
Other commodities	119	120	123
Total imports	1,820	1,599	1,818
Non-coffee imports	1,027	908	1,137

Source: Dept. of Commerce.

is very little saving in such countries as Chile and Bolivia, where prices have increased since prewar seventeen and twenty-four times respectively. Elsewhere, as in Brazil and Argentina, investment in productive enterprises has been falling off. With freight charges and electricity rates low, the railways and public utilities have no money for expansion. To protect themselves, Latin Americans continue more than ever to invest in land and real estate, the prices of which are booming.

Brazil Wrestles With Many Problems

Brazil, the largest and potentially the richest country, offers the best illustration of the problems faced by most Latin American countries.

The decision to maintain a sky-high coffee price backfired, not because of any plot, but because the American housewife decided to economize. Brazilian coffee shipments since the middle of the year, when the new crop year started, have been the lowest in some forty years. Meanwhile the coffee price boom earlier this year resulted in another twist of the inflationary spiral. Costs have risen and there is tremendous pressure to get higher wages. Internal inflation is thus keeping ahead of the cruzeiro depreciation, and despite expectations, export earnings are sagging.

In the old days when Brazil was not so completely industrialized as she is now, a drop in exports would have been offset by a cut in imports until international payments had righted themselves. But not so now. Imports cannot very well be cut. A reduction in raw material imports would interfere with industrial activity and throw workers out of jobs, while a reduction in imports of petroleum – the largest import item—would cripple internal transportation, the railroad system having been utterly inadequate for years.

In general, there is little foreign exchange left for importing industrial machinery and agricultural equipment with which production could be increased and internal inflationary pressure relieved. There is little foreign exchange left for carrying out a vast program of highway and railways building, and of electrification and public utility expansion. As a result, the whole tempo of Brazil's economic life has been slowing down. Overall output of goods rose only about 2 per cent in 1953, against the annual average of 9 per cent in 1947-52. Investment activity has been the lowest since the war. Factory production has slowed down, and with prices rising and unemployment increasing, political radicalism and dissatisfaction have been mounting.

Yet in view of her past, almost miraculous recuperative power, Brazil could be nursed to economic health very quickly. The balancing of the budget, the abolition of the cumbersome multiple exchange system, and letting the cruzeiro find its own level, as the International Monetary Fund recently recommended, would necessitate sacrifices from all classes, but ultimately it would spur exports, encourage savings, and channel investments into productive enterprises.

Modification of some of the ultranationalist laws which have been keeping out foreign capital would also be helpful. Brazilian business and leading newspapers are already campaigning for modification of the Petrobras (oil development) law so as to reduce the country's growing petroleum bill which at present absorbs from 35 to 40 per cent of foreign exchange earnings. Foreign companies are willing to recognize Brazil's legitimate national aspirations to control the vital petroleum industry; they would undertake exploration and development at their own expense and share production with the Brazilians on a 50-50 basis.

A Blow Off Possible in Chile

With the exception of Paraguay, the most desperate economic situation today in Latin America exists in Chile, the conditions in Bolivia having improved in recent months. Outwardly the country gives an impression of prosperity; factories are busy and construction is booming, since everybody who can is investing in brick and stones. No one wants to be caught with pesos, which have been depreciating rapidly and touched the low level of 400 pesos to the dollar last summer.

The life-giving industry of the country, copper mining, upon which depend export earnings and government revenues, is slowly grinding to a stop. In 1952 the production was 422,000 tons, in 1953 it dropped to 365,000 tons, and this year, with the strikes, the output will probably decline below the 300,000 level. Although the companies are graciously left the ownership of the mines, the Government dictates everything: sales, wage increases, and takes close to 90 per cent of net profits.

The country is actually run by labor unions. Automatic wage increases are pouring out purchasing power which cannot be satisfied, as export earnings are falling off and the domestic output of foodstuffs declining. Farming has been neglected at the expense of industrialization, and, as in Argentina, price controls have discouraged the farmer. Although there is plenty of good land available, Chile raises today only about 40 per cent of her food requirements.

With inflation accelerating—the cost of living increased 40 per cent in 1952, 60 per cent in 1953, and 40 per cent during the first half of 1954—almost anything is liable to happen. The Communist Party, in proportion to Chile's population, is now the largest in Latin America. Radicalism is growing and anti-American sentiment runs high. President Carlos Ibanez has been trying hard, but his hands are tied by the uncertainty of his support which comes from a strange mixture of extreme left and right. Unless some miracle occurs and the country's economic deterioration is halted, some kind of dictatorship seems almost inevitable.

U. S. Aid Pays Dividends in Bolivia

When agricultural reform, droughts and floods brought Bolivia to the edge of starvation in 1953, the United States brought in emergency foodstuffs, agricultural machinery, and simple tools. Our technicians have been in Bolivia advising and helping in almost every kind of enterprise. This help has greatly strengthened the hands of more moderate elements grouped around President Paz Estenssoro and has frustrated the communists, ultra-leftists and pro-Peronistas. In turn, the Government, which two years ago nationalized the tin mines, has been granting concessions to Americans. A U. S. independent has been drilling in southeastern Bolivia; the Santa Cruz area is to be exploited jointly by the Bolivians and the Brazilians. Meanwhile the Government-operated fields at Camiri in central Bolivia have been expanding, and it looks that Bolivia may become an exporter of petroleum--a development which would be a boon to the country since foreign exchange earnings from tin operations are inadequate. Meanwhile food production has been restored and inflationary pressure has relaxed somewhat. The Boliviano has been stable for the last few months at around 1500 to the dollar.

The Paz Estenssoro Government has now been in power for nearly 2½ years, which is quite a record for a country that has had 180 revolutions in her 125 years of independence. In general, the Paz Estenssoro Government seems to be inspired by the work done in Mexico in respect to the policies integrating the Indian population and economic development as a whole. It will be an uphill job in a country as desperately poor in capital resources as Bolivia, but a few years of political peace at home may do wonders.

Mexico Trying to Live Down the Peso Devaluation

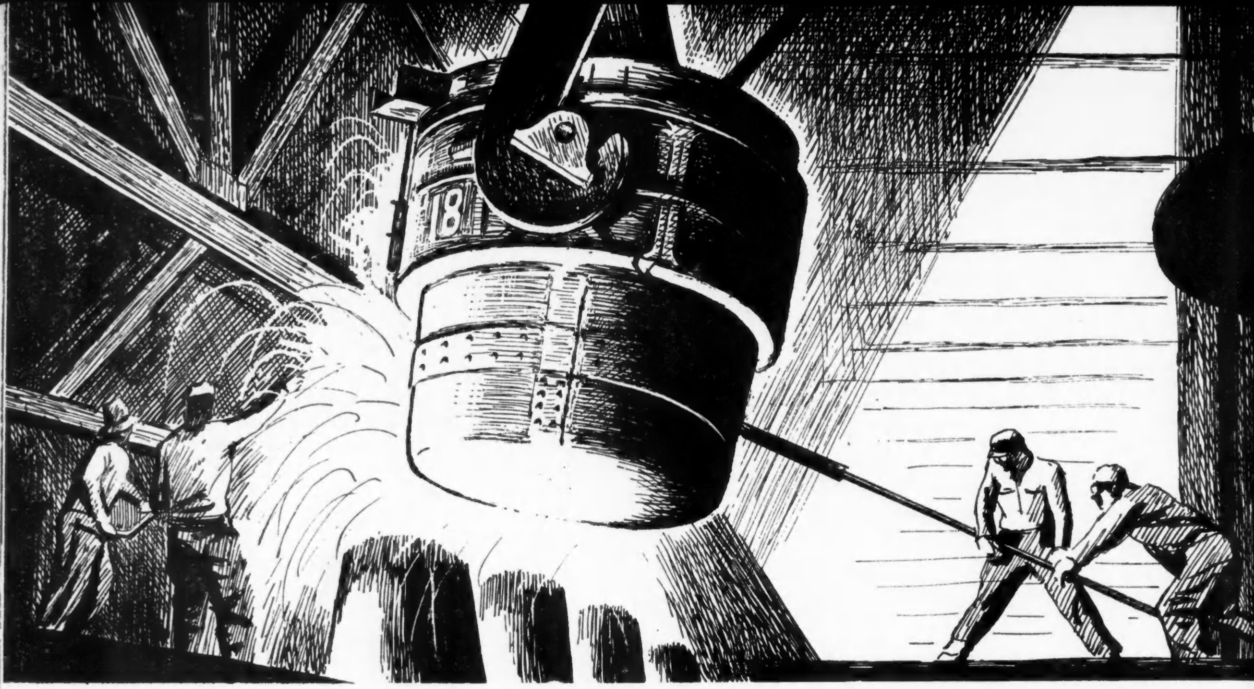
The devaluation of the peso last spring not only took everybody by surprise, but led to a confidence crisis in respect to the future of Mexico which was generally thought to be prosperous and expanding. Looking back, it seems that the devaluation was to avert a loss of gold and dollars during the summer months when international payments normally run against Mexico. Second, and this is the real reason why President Ruiz Cortines and the group of advisers around him decided upon the devaluation, it was to create opportunities for employment by encouraging export industries on one hand and on the other by providing more protection for the industries working for the domestic market. With the population increasing at the rate of nearly 500,000 a year, employment has become a real problem for Mexico. With almost 30,000,000 potential customers, the President believes that Mexican industries ought to go into mass production.

Although Mexico's gold and dollar holdings were reported to have increased from about $100 million in the middle of April to almost $200 million by the end of September, very little foreign and Mexican capital that left the country after the devaluation seemed to have returned. However, the summer tourist season was good and the crops have been excellent. Mining (*Please turn to page* 238)

Inflation in Latin America

	1939	1946	Sept. 1954	Per Cent Increase 1939-54
Argentina:				
Currency (billion pesos)	1.06	3.53	22.0[5]	+1,975
Cost of lvg. (1939=100)	100	156	656 [5]	+ 556
Free rate, pesos per $	4.4	4.9	26.0[2]	+ 491
Bolivia:				
Money supply (bil. bol.)	.6	2.5	18.7[1]	+3,017
Cost of living	1	3.7	24.9	+2,390
Free rate, bolivianos per $	36	60	1,460 [2]	+3,956
Brazil:				
Money supply (bil. cruz.)	11.2	45.8	139.6[2]	+1,146
Cost of living	100	295	821 [2]	+ 721
Free rate, cruzeiros per $	19.9	18.7	62.0	+ 212
Chile:				
Money supply (bil. pesos)	2.4	9.6	60.5[4]	+2,421
Cost of living	1	2.6	18.4[5]	+1,740
Free rate, pesos per $	31	40	305	+ 117
Mexico:				
Money supply (bil. pesos)	.9	3.5	7.5[4]	+ 733
Retail prices	100	271	487 [2]	+ 387
Free rate, pesos per $	5.5	4.9	12.5	+ 117
Peru:				
Money supply (bil. soles)	.3	1.3	3.7[2]	+1,133
Cost of living	100	203	603 [2]	+ 203
Free rate, soles per $	5.5	7.9	19.4	+ 253
Uruguay:				
Currency (mil. pesos)	81	176	388 [6]	+ 379
Cost of living	100	147	269	+ 169
Free rate, pesos per $	2.8	1.9	3.3	+ 18
Colombia:				
Money supply (mil. pesos)	146	583	1,702 [2]	+1,066
Cost of living	100	178	392 [2]	+ 292
Free rate, pesos per $	1.75	1.82	2.51	+ 43
Cuba:				
Money supply (mil. pesos)	147	799	828 [7]	+ 463
Retail prices	100	223	246 [5]	+ 146
Free rate, pesos per $	1.13	1.00	1.00	— 12
Venezuela:				
Money supply (bil. bol.)	.31	1.00	2.05[5]	+ 561
Retail prices	100	139	192 [5]	+ 92
Free rate, bolivares per $	3.19	3.35	3.35	+ 5

[1]—February 1954.
[2]—August 1954.
[3]—September 1954.
[4]—April 1954.
[5]—July 1954.
[6]—May 1954.
[7]—March 1954.



WHAT THIRD QUARTER EARNINGS REVEAL

PART II

By WARD GATES

In the first part of our analysis of earnings in the third quarter of 1954, published in the last issue, we described the general factors at work, concluding with our impressions of the outlook for the leading industries in the fourth quarter this year and early next year. In this issue, we exclusively cover company reports, with a break-down of sales, profit margins and net earnings per share, quarter-by-quarter since the December quarter of 1953. These are presented in the accompanying table which lists some of the more important companies.

Before proceeding with the individual analyses of company earnings for the third quarter, some general conclusions as to the immediate trend may prove useful. In the first place, earnings seem to have varied greatly, according to the size of the company and its position in its respective industry. Thus, most of the large concerns, especially the very large ones, have come through this period of transition with exceptionally good earnings, having markedly benefited from relief from excess profits tax payments. The smaller companies, not possessing this advantage to such an extent, showed clearly the effects of the sales decline on their net profits.

In a special survey which we have conducted into some 350 earnings reports issued for the third quarter by manufacturing concerns in various industries (rails and utilities are not covered in this analysis) 55% of reporting companies showed an increase of varying proportions as compared with the corresponding period of 1953. On the other hand, only 40% showed gains for the entire nine months' period. This would seem to indicate that so far as the nine months total is concerned many companies were unable to offset their comparatively poor showing in the first and, to some extent, in the second quarters of this year despite the fact that their third quarter earnings rose.

Pending release of additional quarter earnings reports which would offer more complete information as to how the great majority of corporations fared, it seems possible to say, at least, that the third quarter showed a modest improvement over the second quarter and that this is likely to continue into the final period of the year. Unless there is a substantial improvement in the last quarter, however, it is likely that total 1954 earnings for industrial corporations, despite the comparatively excellent showing of leading companies, will be somewhat under those of 1953, possibly by an average of 10%.

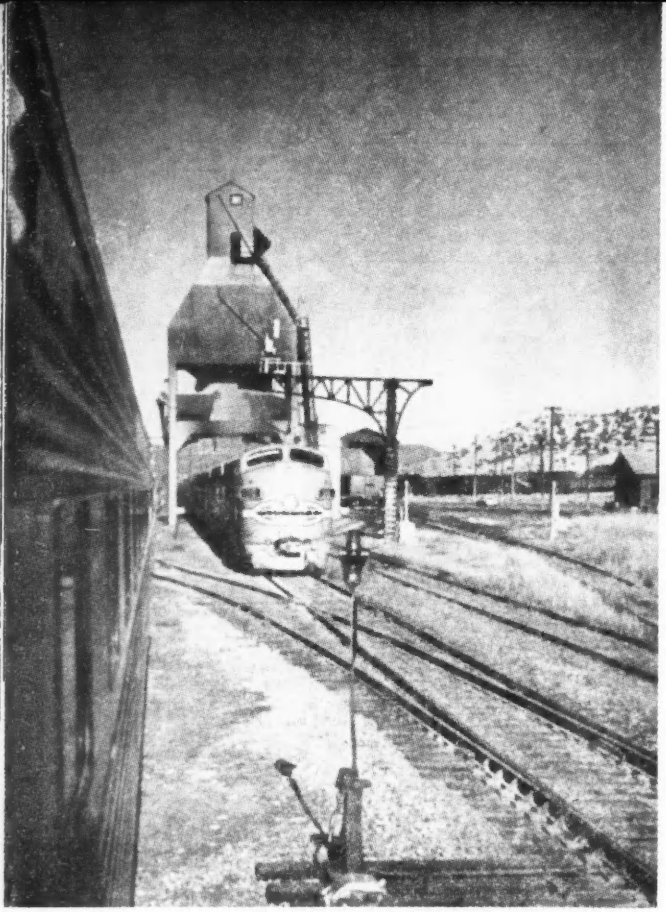
The outlook for the initial period of 1955 is quite nebulous. A great deal, (*Please turn to page* 221)

Quarterly Comparison of Sales, Profit Margins and Earnings

	3rd Quarter 1954			2nd Quarter 1954			1st Quarter 1954			4th Quarter 1953		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Acme Steel	$ 16.5	5.2%	$ .44	$ 16.1	4.6%	$ .38	$ 17.1	3.7%	$ .32	$ 19.2	15.5%[1]	$ 1.51[1]
Allis-Chalmers	117.6	5.0	1.62	135.2	5.8	2.26	123.6	4.5	1.68	123.3	5.5	1.75
American Cyanamid	97.2	6.6	.67	97.8	6.2	.68	98.2	9.4	.83	93.0	6.7	.71
Armco Steel	129.3	7.8	1.95	135.7	7.2	1.89	131.3	6.9	1.75	143.8	5.4	1.49
Armstrong Cork	57.6	6.1	2.14	52.4	5.8	1.85	53.5	5.1	1.72	49.3	3.0	.86
Atlantic Refining	....	....	.70	135.5	6.5	.95	162.4	6.7	1.19	153.4	10.5	1.83
Caterpillar Tractor	99.3	7.0	1.62	103.0	6.8	1.70	95.2	5.9	1.35	91.6	3.5	.76
Colgate Palmolive	71.6	5.9	1.70	64.1	3.2	.82	67.6	5.1	1.38	58.0	7.8	1.91
Container Corp. of America	48.3	5.0	1.14	47.0	8.1	1.51	43.6	9.7	1.68	45.9	5.5	1.24
Continental Oil	123.4	7.6	.98	124.6	8.2	1.05	124.4	9.3	1.19	118.1	8.2	1.00
Corn Products	51.7	7.6	1.33	45.8	8.1	1.25	46.6	7.8	1.23	49.1	9.9	1.68
Diamond Alkali	23.9	5.0	.48	24.8	7.1	.73	22.1	6.0	.53	21.2	5.8	.49
Douglas Aircraft	205.6	4.3	3.63	253.0	4.0	4.20	240.8	3.6	3.64	242.2	2.2	2.18
Eaton Mfg.	32.5	3.4	.61	44.7	5.8	1.46	46.7	5.5	1.45	44.7	4.2	1.07
General Foods	187.8	3.6	1.14	194.7	5.7	1.88	227.4	4.5	1.76	201.0	2.6	.88
General Motors	2,153.1	7.4	1.79	2,655.8	8.8	2.67	2,410.1	7.8	2.13	2,096.9	6.9	1.62
Gillette Co.	48 8	13.4	1.21	39.7	15.6	1.43	36.8	18.2	1.59	35.0	14.6	1.20
Johns-Manville	67.8	6.9	1.47	64.8	8.4	1.71	51.9	5.0	.82	63.8	6.0	1.20
Koppers Co.	45.9	2.9	.61	48.6	3.8	.89	46.7	3.0	.69	59.6	3.9	1.17
Lehigh Portland Cement	19.1	14.6	1.48	14.5	11.0	.84	10.1	10.4	.56	14.1	12.2	.90
Minneapolis Honeywell Reg.	52.7	6.7	1.14	55.6	5.5	.98	57.2	6.9	1.27	59.6	4.4	.81
Motor Wheel	10.9	2.0	.26	14.7	4.1	.72	14.9	3.0	.53	17.4	3.4	.71
National Biscuit	90.3	5.4	.71	90.8	5.4	.70	88.7	5.2	.66	92.2	5.5	.76
New York Air Brake	8.3	4.3	.49	8.6	4.4	.53	9.3	6.2	.81	11.5	3.7	.57
Owens Corning Fiberglas	36.1	6.3	.73	33.1	5.9	.62	30.7	5.5	.54	33.4	2.2	.35
Penn-Dixie Cement	9.2	19.2	2.46	9.3	17.0	2.19	4.3	9.6	.58	6.7	11.8	1.32
Pennsylvania Salt Mfg.	15.1	5.8	.71	15.7	6.5	.83	13.5	5.5	.61	13.9	4.4	.50
Phillips Petroleum	194.7	9.0	1.21	193.4	9.6	1.28	198.5	9.6	1.31	196.6	10.8	1.45
Pittsburgh Consol. Coal	32.4	7.5	1.13	34.0	6.9	1.09	39.6	5.6	1.04	47.7	14.3	3.20
Radio Corp. of Amer.	215.9	3.8	.54	217.7	4.2	.60	226.6	4.4	.66	188.5	3.9	.65
Reynolds Metals	78.1	6.6	2.71	77.3	6.8	2.78	65.6	6.6	2.41	70.3	3.7	1.45
Rohm & Haas	31.1	8.8	2.87	34.4	9.3	3.39	31.6	9.0	2.99	30.4	5.6	1.56
St. Regis Paper	43.0	7.2	.61	51.2	7.8	.70	50.0	7.8	.70	51.8	11.4	1.09
Scott Paper	44.9	8.1	.58	43.0	8.4	1.02	44.3	8.0	1.06	39.6	7.7	.44
Shell Oil	320.1	8.1	.95	325.3	9.2	1.10	330.2	10.5	1.21	336.0	10.1	1.17
Texas Gulf Sulphur	22.0	35.7	2.35	22.3	37.9	2.53	17.6	40.1	2.12	20.1	29.2	1.76
Union Carbide & Carbon	231.9	9.2	.74	214.1	9.4	.70	220.9	9.7	.74	242.9	9.8	.82
U. S. Gypsum	61.0	15.7	5.93	54.6	14.6	4.92	46.8	13.9	3.99	48.2	8.7	2.55
U. S. Steel	769.6	5.8	1.44	840.0	5.8	1.64	830.8	5.3	1.48	941.0	5.9	1.90
Wrigley (Wm. Jr.) Co.	21.8	13.6	1.51	21.4	13.7	1.49	19.6	14.6	1.46	19.3	5.4[2]	.53[2]
Youngstown Sheet & Tube	102.4	4.3	1.34	117.6	5.1	1.82	105.8	2.8	.89	127.5	6.1	2.34

1—Includes $1.13 per share E.P.T. credit.

2—Before $.46 per share profit on sale of investment.



An EXPERT APPRAISAL of the RAIL OUTLOOK

By EDWARD S. WILSON

Since August of 1953, the nation's railroads have been puffing laboriously up the steep grade caused by sharply declining traffic and increasing wage costs. Now at long last there are growing signs that the carriers have reached a more level stretch of track and a moderate improvement in earnings is in sight during the balance of 1954 and into 1955. In fact, a lessening of the previous marked year-to-year decline in net earnings first became noticeable in June and this trend continued in July and August as control over expenses tightened. This is shown in Table I.

Moreover, beginning in September, comparisons will be made with a period in 1953 when gross revenues, net operating income and net income were dropping precipitously in line with the general slackening of the nation's economy, particularly in heavy industries so vital to the railroad's prosperity. (In the last four months of 1953, net income of Class 1 roads showed a year-to-year decline of 26% after running at a record pace 32% ahead of 1952 levels in the first eight months of the year.) Based on our estimate of net income for the full year 1954 of $625 million as compared with the post-war peak of $871 million in 1953, net earnings for the last four months are indicated at $288 million vs. $300 million last year.

It is quite possible that fourth quarter net income may run ahead of the comparable depressed period of last year. This year's estimated net income would compare favorably with the post-war recession low of $438 million in 1949 and would be only $68 million below the $693 million of 1951 despite a drop of $900 million in gross revenues, i.e., $9.5 billion vs. $10.4 billion. The expense control now achieved after a disappointingly slow start in the early months of the year could result in a 10%-15% increase in net income next year even without a corresponding increase in traffic and gross revenues.

Pick-up in Durable Goods Shipments

The Regional Shippers Advisory Boards have recently forecast a decline in fourth quarter carloadings of 8.6% below 1953 levels (in the forty-three weeks ended October 23, a year-to-year drop of 13.5% was reported). However, it is significant that increases of 9% for automobiles and trucks and of 1% for lumber and forest products are forecast. With the steel operating rate now approaching 75% of capacity and manufacturers' inventories worked down to an indicated low level, there are some preliminary signs that at least a moderate pick-up in the durable goods industries is under way. Such an economy would, of course, be of material assistance in lifting the railroad movement of manufactured and miscellaneous goods, coal, and iron ore, all of which commodity classifications have been severely depressed thus far in 1954. In this connection, it is significant to note that the Fed-

eral Reserve Board index of industrial production in September showed a year-to-year increase for the first time this year. After a prolonged period of curtailed production to retool for new models and to reduce dealers' stocks to a satisfactory level, the automobile industry appears to be on the threshold of substantially increased production as the new models are introduced during the balance of 1954.

In our two previous articles this year, we have commented upon the fact that the southern and western roads have made a much better earnings showing than the eastern carriers since the beginning of the year. This pattern has continued consistently during the first eight months of 1954 as shown by the comparison given in Table II.

In August, the trend was sustained with net income of the Eastern and Pocahontas roads dropping 42% below the like 1953 month as compared with a decline of only 8% for the southern and western carriers. This showing is especially noteworthy when it is considered that the latter have reduced maintenance outlays only moderately on the average as compared with sharp reductions made by most of the hard-pressed eastern carriers. Of course, the decidedly better showing of the southern and western roads reflects: 1, a smaller year-to-year decline in gross revenues due to lesser dependence on heavy industry and far greater population and industrial growth than in the East; and 2, a much lower percentage of unprofitable passenger and terminal operations.

Market Action of Leading Rails

This diverse trend has been mirrored accurately in the market action of railroad equities since the end of 1953. In previous articles, we have referred to a group of what we called ten "good" issues of the southern and western railroads: Atchison, Topeka & Santa Fe; Atlantic Coast Line; Chicago, Rock Island & Pacific; Denver & Rio Grande Western; Illinois Central; Kansas City Southern; Louisville & Nashville; Seaboard Air Line; Southern Railway; and Union Pacific. From last January 1 to date the ten common stocks in this group have advanced 35% on the average as compared with a rise of 25% for the Dow-Jones railroad average. Outstanding performances have included Kansas City Southern with a price advance of 64%, Seaboard Air Line 56%, Southern Railway 52%, and Denver & Rio Grande Western 46%.

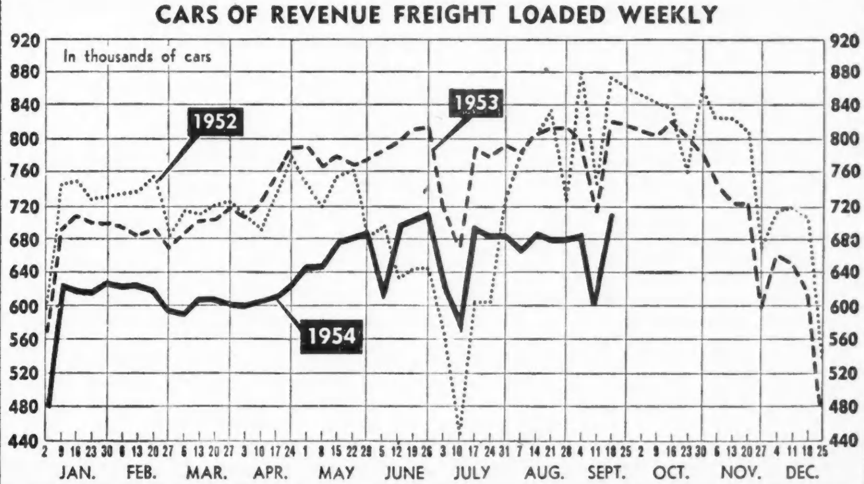
Although the "good" group is selling only 5% below its highs for the year, market valuations on the average still appear conservative. At an average price of 84, this group is selling at 8.3 times estimated 1954 earnings of $10 per share to yield 5.6% on dividends of $4.70 per share, or less than 50% of earnings. This income return is obviously attractive in relation to the current low yields on "blue chip" industrials and five of the ten issues in the group (Illinois Central, Kansas City Southern, Seaboard Air Line, Southern Railway and Union Pacific) are likely candidates for higher dividend payments within the coming year. However, in our opinion, the three stocks which appear the most attractive marketwise at the present time are the laggards in this group. These are Atchison, Topeka and Santa Fe up only 22% since January 1 and yielding 6.1%, Chicago, Rock Island & Pacific up 21% (6.6% yield), and Louisville & Nashville up 11% (7.5% yield).

Our so-called "average" group consists of: Baltimore & Ohio; Chesapeake & Ohio; Erie; Great Northern; Gulf, Mobile & Ohio; New York, Chicago & St. Louis; Northern Pacific; Reading; St. Louis-San Francisco; and Southern Pacific. This group has done only about half as well as the Dow-Jones railroad average since January 1 with an average rise in market price of 13%. The stars of this group have been Baltimore & Ohio with a 45% advance and Great Northern with a 32% rise. On the average, this group is selling at 7.7 times estimated 1954 earnings of $4.30 per share to yield 6.9% on a $2.30 dividend. Following the 2-for-1 split last July, Great Northern raised its dividend rate from $2 to $2.20, but no other increases in the group appear in prospect. On the contrary, there is a strong probability that Erie and Gulf, Mobile & Ohio will omit the year-end extra payments of 25c and 50c, respectively, made a year ago. In addition, the low estimated 1954 earnings of 'Frisco ($2.75 per share) and the yield of well over 11% indicate considerable doubt as to the continuance of the present $2.50 annual dividend rate in 1955. Despite its sharp market advance, we feel that Baltimore & Ohio still possesses above-average capital appreciation possibilities over the next year or two. Great Northern (7.3% yield), New York, Chicago & St. Louis (7.7%) and Southern Pacific (6.7%) also appear to have interesting speculative possibilities.

The Laggard Rails

Finally, we come to our "poor" group of: Boston & Maine; Chicago, Milwaukee, St. Paul & Pacific; Chicago & North Western; Delaware, Lackawanna & Western; Lehigh Valley; New York Central; New York, New Haven & Hartford; Norfolk & Western;

CARS OF REVENUE FREIGHT LOADED WEEKLY



Pennsylvania; and Virginian. This group, which has had an average market appreciation of 17% thus far this year, seems to be overdiscounting the indicated better prospects for next year with an average price 20 times estimated 1954 earnings of $1 per share to yield only 4.9%.

In this group, Delaware, Lackawanna & Western and Lehigh Valley have strengthened their basic financial position and paved the way for more liberal future dividend payments by substantial reductions in fixed charges this year.

The nation's largest carrier, Pennsylvania, appears to have gained effective control over its operating expenses and should be in a good position to show a strong uptrend in earnings given any material rise in heavy industry. The directors' recent announcement that the common stock will be placed on a 25c quarterly dividend rate in 1955 represents a constructive and forward-looking step after years of paying dividends only once or twice a year.

The North West's two marginal roads, Chicago, Milwaukee, St. Paul & Pacific and Chicago & North Western, have recently been in the news because of the announcement that preliminary studies are being conducted looking towards a possible consolidation.

Although the New York Central has suffered a deficit of $5.1 million in the first nine months of the year, there are definite indications that the new management is meeting with growing effectiveness the deep-rooted problems of the country's second largest railroad.

Another large railroad which changed management this year, the New Haven, is expected to be one of the few roads to show a year-to-year increase in net income due in large part to a sharp slash in operating expenses, particularly maintenance.

Despite a very slim coverage, the Norfolk & Western's characteristically very strong working capital position enabled it to continue the $3.50 annual dividend rate, including a 50c year-end extra.

Sizable saving from partial dieselization should make it possible for the Virginian to equal last year's earnings of $3.02 per common share after a slow start earlier in 1954.

The 100% rise in market price of Boston & Maine common stock since the first of the year does not reflect any fundamental improvement in earning power as a deficit of $3.50 per share is forecast for 1954 as compared with net income of 93c last year. Rather it appears to be due principally to unconfirmed merger rumors, and possibly also to coverings by short sellers.

In addition to the thirty issues included in our three groupings, pertinent statistical information is given on twenty other stocks in the table accompanying this article. In the latter classification, Texas & Pacific, in our opinion, is the most attractive among the better grade issues while Central & Georgia, Chicago & Eastern Illinois and Chicago Great Western have the greatest appeal in the more speculative category. Over the longer term Bangor & Aroostook, Canadian Pacific, Maine Central, Nashville, Chattanooga & St. Louis, Western Maryland and Western Pacific appear to offer interesting possibilities.

I – Earnings Trend of Class 1 Railroads

	1954	1953	Year-to-Year Decline Amount	%
FIRST FIVE MONTHS				
Gross Revenues	$3,805,778	$4,402,892	$ 597,114	13.6%
Operating Expenses	3,072,350	3,333,975	261,625	7.8
Operating Ratio	80.7%	75.7%		
Net Operating Income	$ 265,543	$ 449,161	$ 183,618	40.9
Net Income	165,370	338,793	173,423	51.2
JUNE-AUGUST				
Gross Revenues	$2,388,083	$2,775,095	$ 387,012	13.9%
Operating Expenses	1,867,262	2,079,861	212,599	10.2
Operating Ratio	78.2%	74.9%		
Net Operating Income	$ 234,866	$ 295,717	$ 60,851	20.6
Net Income	172,336	232,207	59,871	25.8
FIRST EIGHT MONTHS				
Gross Revenues	$6,193,871	$7,177,987	$ 984,116	13.7%
Operating Expenses	4,939,611	5,413,836	474,225	8.8
Operating Ratio	79.8%	75.4%		
Net Operating Income	$ 500,409	$ 744,878	$ 244,469	32.8
Net Income	337,000	571,000	234,000	41.0

II – Comparison of Southern & Western Roads with Eastern

Region	First Eight Months, 1954	First Eight Months, 1953	Change Amount	%
EASTERN & POCAHONTAS				
Gross Revenues	$2,628,878	$3,129,616	$ 500,738	16.0%
Operating Expenses	2,164,583	2,429,386	264,803	10.0
Operating Ratio	82.3%	77.6%		
Net Operating Income	$ 181,456	$ 318,995	$ 137,539	43.1%
Net Income*	73,000	202,000	129,000	63.9
SOUTHERN & WESTERN				
Gross Revenues	$3,564,993	$4,051,066	$ 486,073	12.0%
Operating Expenses	2,775,028	2,984,045	209,017	7.0
Operating Ratio	67.8%	73.7%		
Net Operating Income	$ 318,954	$ 425,883	$ 106,929	25.1%
Net Income*	264,000	369,000	105,000	28.5

*—Estimated.

Appraisal of Dividend Payments

Present indications are that total dividend payments of Class I railroads this year will at least equal the $412 million of 1953. On the basis of estimated net income of $625 million, the 1954 pay-out would amount to 66% as compared with 47% last year. However, this higher ratio seems justified by: 1, the substantial income tax savings from five-year amortization of defense facilities which are estimated at $178 million in 1954 vs. $146 million in 1953, and are expected to reach their peak next year; and 2, an anticipated strengthening of working capital position in the second half year as capital expenditures decline. As shown in the following table, net working capital of Class I roads showed a surprisingly moderate decline in the past

(*Please turn to page* 224)

DATA ON 50 RAILROADS

	Miles Operated (Thousands)	1953 Revenues: Freight (Millions)	Passenger (Millions)	Total Rwy. Oper. Rev. (Millions)	Operating Ratio 1953	Times Fixed Charges Earned	Earned Per Share: 1953	Earned Per Share: Estimated 1954	Price Range 1954	Recent Price	Ind. 1954 Div.
Atchison, Topeka & Santa Fe	13.0	$511.1	$ 49.6	$613.5	71.9%	24.1	$ 14.62	$ 11.25	120¾- 92½	117	$ 7.00
Atlantic Coast Line	5.3	131.5	19.7	164.5	86.0	2.4[1]	14.61	13.75	126½- 85	120	6.00
Baltimore & Ohio	6.1	407.9	21.6	460.8	79.4	3.4	3.31	5.75[3]	29⅛- 18⅝	27	.75
Bangor & Aroostook	.6	12.1	.4	12.9	78.8	2.7	6.01	6.00	27⅛- 16¾	24	......
Boston & Maine	1.6	67.4	11.3	88.8	80.5	2.3	(d) 1.45	(d) 3.50[3]	14⅝- 5⅝	12	......
Canadian Pacific	20.8	391.0	37.5	470.5	89.7	4.0	2.05	1.90	28⅜- 21⅜	26	1.50
Central of Georgia	1.7	37.2	2.2	42.9	80.4	5.3	5.56	4.50[3]	32⅝- 23½	30	......
Central R.R. of New Jersey	.6	52.6	5.5	62.3	80.5	1.2	2.44	(d) .50[3]	19¼- 15½	17	......
Chesapeake & Ohio	5.1	318.6	8.2	344.0	72.2	6.0	6.04	4.80	39½- 33⅛	36	3.00
Chicago & Eastern Illinois	.8	29.6	3.1	36.4	76.6	4.8	3.81	2.75[3]	18½- 14	17	1.00
Chicago Great Western	1.4	29.1	.1	31.4	67.6	6.0	3.37	6.00[3]	32½- 18½	31	......
Chicago, Ind. & Louisville	.5	19.4	.7	21.8	77.4	10.3	1.19	6.00[3]	16⅝- 12¼	15	......
Chicago, Milwaukee, St. Paul	10.6	215.3	16.6	259.8	83.9	4.4	1.73	.50[3]	14 - 10	12	1.00
Chicago & North Western	7.9	160.0	22.5	204.3	85.9	2.9	(d) 1.91	(d) 4.50[3]	13 - 10¼	11	......
Chicago, Rock Island & Pac.	7.9	169.8	19.0	207.9	70.8	12.4	15.36	10.50	77½- 62½	75	5.00
Colorado & Southern System	1.2	13.8	.8	16.2	68.2	27.1	4.91	7.25	47⅞- 41	43	1.00
Delaware & Hudson Co.	1.7	51.5	1.9	55.2	75.7	4.6	10.25	5.00	46¾- 41	44	4.00
Delaware, Lack. & Western	.9	71.6	9.5	89.6	77.5	2.7	.90	2.25[3]	17¼- 12¼	15	.75
Denver & Rio Grande Western	2.3	78.3	3.5	84.7	64.8	11.6	11.41	11.00[2]	85½- 55⅝	84	5.00
Erie R. R.	2.3	160.2	7.1	181.5	75.1	5.0	2.51	1.90[3]	18½- 16⅛	16	1.50
Great Northern Rwy.	8.3	235.8	12.5	268.0	72.7	7.2	4.93	4.00	33⅜- 27	31	2.20
Gulf, Mobile & Ohio	2.7	82.2	4.6	93.6	70.9	7.9	6.87	4.50[3]	35¼- 26⅞	31	2.00
Illinois Central	6.5	254.6	23.3	308.3	71.6	7.0	9.30	6.25	52⅛- 43½	49	2.50
Kansas City Southern System	.8	41.9	1.6	47.8	62.6	5.6	5.01	10.25	65¼- 38⅝	64	3.00
Lehigh Valley	1.2	68.4	3.7	76.3	77.4	3.5	3.20	1.75[3]	17¾- 13	17	1.20
Louisville & Nashville	4.7	204.9	12.9	232.9	72.4	6.8	13.10	7.75	78¾- 59¾	71	5.00
Maine Central	.9	21.8	1.4	25.4	77.2	2.5	4.36	5.00	25½- 18	21	......
Minneapolis & St. Louis	1.3	21.0	.1	22.0	77.3	7.7	2.44	2.00	25 - 20½	22	1.20
Minneapolis, St. Paul & S. S. Marie	3.2	36.2	1.0	39.7	89.1	12.6	.70	1.00[3]	14¼- 8¾	13	.25
Missouri-Kansas-Texas	3.2	73.9	3.2	85.5	73.4	4.7	2.07	(d) .25	10 - 4⅛	7	......
Missouri Pacific	6.9	206.3	11.2	238.2	81.4	1.6	8.63	4.00[4]	8½- 4¾	7	......
Nashville, Chattanooga & St. L.	1.0	34.0	1.7	39.9	71.7	5.1	17.75	12.00	92¼- 74½	85	4.00
New York Central	10.7	605.6	117.1	825.3	82.8	1.7	5.27	1.25	26 - 18⅝	19	.50
N. Y., Chicago & St. Louis	2.1	159.4	1.9	167.3	68.0	7.8	7.05	5.25	40¼- 32¼	38	3.00
N. Y., New Haven & Hartford	1.7	94.8	51.4	165.0	80.5	2.5	2.88	4.25[3]	33½- 22	26	......
Norfolk & Western	2.1	176.5	4.9	189.5	71.9	37.2	4.83	3.75	45 - 39⅝	43	3.50
Northern Pacific	6.8	159.3	7.6	181.1	81.0	3.3	6.27	5.00	64⅜- 53½	56	3.00
Pennsylvania R. R.	10.1	787.4	142.0	1,034.3	83.5	1.8	2.81	1.35	18½- 15⅞	17	.75
Pittsburgh & Lake Erie	.2	45.8	.8	49.2	77.3	20.8	14.37	8.75	75¾- 65⅛	71	6.00
Pittsburgh & West Virginia	.1	8.9	......	8.9	76.1	3.9	3.17	2.25	23¼- 19½	20	2.00
Reading Company	1.3	117.8	7.0	132.8	77.7	4.1	6.92	4.00	29⅜- 26¼	27	2.00
St. Louis-San Francisco	4.6	114.2	5.7	129.9	74.6	4.6[1]	5.02	2.75[3]	27½- 23⅛	23	2.50
Seaboard Air Line	4.1	130.0	13.7	156.6	72.0	8.6	8.18	8.25	71 - 42	69	4.00
Southern Pacific Transp. System	8.1	598.7	46.0	692.0	76.0	5.6	6.40	5.00	47⅝- 36⅝	45	3.00
Southern Railway	6.3	236.5	17.4	275.2	67.7	5.5	11.62	8.00	62¼- 39¼	60	3.50
Texas & Pacific	1.8	75.6	4.3	86.4	68.8	6.5	18.62	15.50	140 -107	136	8.00
Union Pacific	9.8	453.7	36.2	530.0	75.5	24.4	14.95	15.00	146¾-105¼	142	6.00
Virginian Railway	.6	36.8	.1	37.9	68.1	5.6	3.02	3.25	31⅞- 25¼	31	2.50
Western Maryland	.8	50.4	.2	50.6	66.7	5.6	9.20	7.50[5]	27¾- 22	25	......
Western Pacific	1.1	59.8	2.9	64.3	66.4	15.9	8.48	5.00[6]	61¾- 49½	55	3.00

(d)—Deficit.

1—Includes contingent charges.
2—Based on full conversion of preferred stock.
3—Before funds.
4—Old capitalization.
5—Present capitalization.
6—Participating basis.

5 Companies Benefiting From Dynamic Growth In New Areas

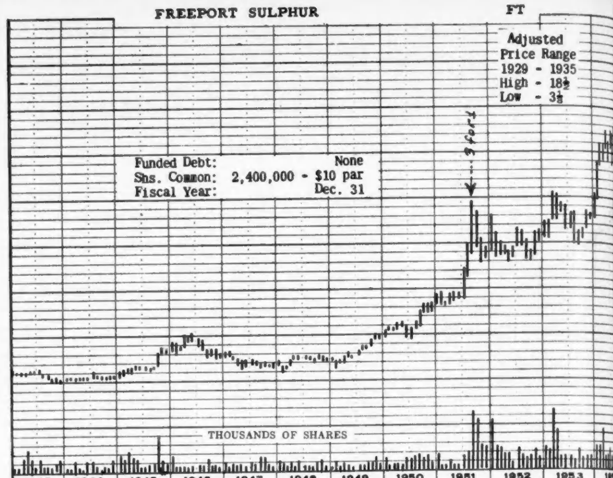
Within the past year, sustained advances in market price of high- and good-grade common stocks have carried these issues to comparatively high levels. While many of them continue to be worth retaining by those who made their purchases at lower levels, other investors with current funds are inclined to shy from these issues because of the price gains they have scored and their relatively low yields.

Considering these facts, it appears that it has become something of a problem to find attractive media in the form of common stocks, yielding a reasonably adequate income return and possessing, at the same time, growth potentials. In a sense the difficulty of selection has increased within the year because the field of choice has been narrowed by price gains from 1953 lows to 1954 highs to date. Nevertheless, there are still issues having considerable appeal because of their growth potentials.

It is sometimes easier to identify companies of promise if they can be associated with particularly conspicuous developments that signify out-of-the-ordinary potentials. These companies may be associated with successful development of individual new products which are in the early stages of their careers, or they may be located in new areas which are the scene of rapid expansion.

We have recently concluded a special study of companies which are being favorably affected by new developments in the geographical areas in which they operate, and have selected five in an especially favorable position. As a result of these developments, the companies should be able to reap very substantial benefits in the years to come. An obvious example, is the Niagara Mohawk Power Corporation which is bound to be immensely benefitted by the construction of the St. Lawrence Seaway. Inland Steel, also, will be benefited through enlargement of the entire Mid-west region when the water-way is completed. The other companies selected are benefited by important developments of a different nature in other regions.

In addition to individual comments on the five companies selected, we also present pertinent financial data relating to them in the accompanying tables.



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	19..
1.03	1.07	1.40	1.56	1.30	1.81	2.46	2.82	2.63	3.05	3.56	E4.0..
.66⅔	.66⅔	.70⅔	.83⅓	.83⅓	.87½	1.33⅓	1.66⅔	1.83⅓	2.00	2.00	
14.7	16.1	18.1	23.4	21.9	23.9	26.8	29.5	26.8	19.5	11.7	[illegible]

FREEPORT SULPHUR COMPANY

BUSINESS: The company, ranking as the second largest sulphur producer, is now developing as an crude oil and natural gas producer, through extensive interests in land and tidelands oil and gas acreage now being successfully developed. Tidelands situation of potential value. It also controls important nickel deposits in Cuba, containing valuable amounts of cobalt.

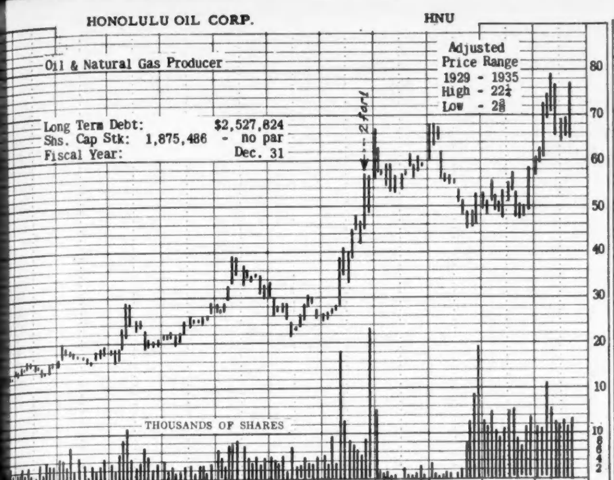
OUTLOOK: At the present time, Freeport Sulphur, is primarily a producer of sulphur, an essential ingredient in the making of fertilizer, paper, chemical, rubber, steel, petroleum and hundreds of other products. Its operations in 1953 resulted in record production, sales and earnings, net income for the common stock—it has no preferred issue nor funded debt—was equal to $3.56 a share. This compares with $3.05 a share earned in 1952. For the 1954 first half-year, earnings were again at a record level, increasing to $1.99 a share from $1.71 for the corresponding 1953 period indicating, on a conservative estimate, net for the full year at slightly better than $4 a share. Sulphur production continues to expand in order to meet the growing market. For this purpose, the company allocated $25 million, all from retained earnings, for development of four mining plants, the largest of which—the Garden Island Bay project—designed to produce 500,000 tons annually, went into production in mid-November, 1953. This was followed by a smaller plant, completed in February, 1954, while another is scheduled for completion early in 1955. Simultaneously, the company, directly and together with others, is continuing to develop all the gas properties which are currently yielding on an average of 2,000 barrels of crude per day. The Cuban nickel deposits are considered one of the most important proven sources of nickel outside of Canada available to the free world. The U. S. Government has agreed to provide up to $6¼ million for a pilot plant to treat this ore under a new process that will, for the first time, permit the separate extraction of nickel and cobalt in their most valuable forms, as metal. Upon successful completion of pilot plant operations, Freeport Sulphur, it is understood, will construct a commercial plant to produce 20 million pounds of nickel and 3 million pounds of cobalt yearly.

DIVIDENDS: Payments inaugurated in 1927 have been maintained without interruption. Distributions are currently being made at the rate of $2.50 a share annually.

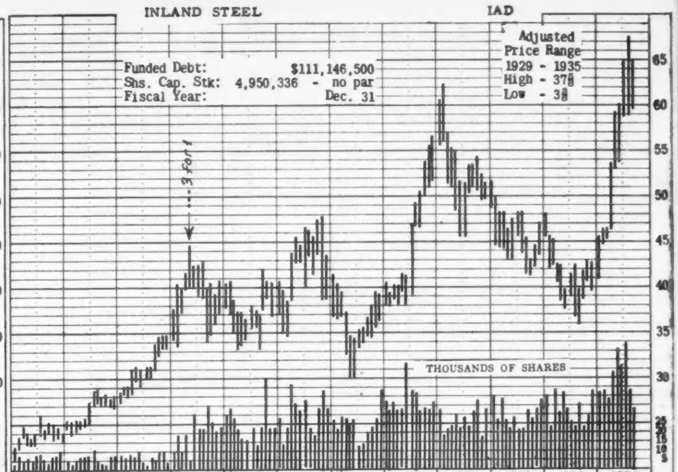
MARKET ACTION: Recent price of 65, compares with a 1953-54 price range of High—66, Low—39¼. At current price, the yield is 3.7%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 12,483	$ 9,727	—$ 2,756
Receivables, Net	2,348	5,886	+ 3,538
Inventories	6,105	9,110	+ 3,005
TOTAL CURRENT ASSETS	20,936	24,723	+ 3,787
Net Property	3,049	32,728	+ 29,679
Investments	4,308	001	— 4,307
Other Assets	1,516	2,192	+ 676
TOTAL ASSETS	$ 29,809	$ 59,644	+$ 29,835
LIABILITIES			
Accrued Royalties	2,114	6,017	+ 3,903
Acc. Rec. & Accruals	$ 683	$ 3.634	+$ 2,951
Tax Reserve	1,987	3,324	+ 1,337
TOTAL CURRENT LIABILITIES	4,784	12,975	+ 8,191
Reserves	1,264	....	— 1,264
Long Term Debt	350	....	— 350
Common Stock	8,000	24,000	+ 16.000
Surplus	15,411	22,669	+ 7,258
TOTAL LIABILITIES	$ 29,809	$ 59,644	+$ 29 835
WORKING CAPITAL	$ 16,152	$ 11,748	—$ 4,404
CURRENT RATIO	4.4	2.0	— 2.4



1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
2.18	2.12	2.30	3.73	7.06	3.69	3.58	4.23	3.92	5.42		EARN.
.75	.75	1.00	1.62½	3.00	2.25	2.50	2.50	2.50	2.50		DIV.
1.5	1.7	2.4	6.4	9.9	12.2	13.6	14.3	13.8	14.7	Wkg Cap $ Mil	



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
2.21	2.09	2.01	3.18	6.10	7.88	5.11	7.76	7.02	4.85	6.90		EARN.
1.50	1.50	1.50	1.83⅓	2.50	3.00	3.00	3.50	3.50	3.00	3.50		DIV.
62.8	71.9	83.6	98.8	104.9	121.2	115.6	127.7	112.3	148.3	145.6	Wkg Cap $ Mil	

HONOLULU OIL CORPORATION

BUSINESS: This company, notwithstanding its corporate title, has confined operations to the continental United States and Canada. It is a producer of crude oil and natural gas from oil and gas acreages principally in California, Texas, New Mexico, Wyoming and Alberta, Canada. Facilities include total and partial ownership in 10 natural gasoline plants and a jointly owned gas processing plant.

OUTLOOK: As an independent crude oil and natural gas producer, Honolulu Oil occupies an important position in the oil industry. Its 1953 crude oil production amounted to 9,409,000 barrels, a gain of approximately 5% over the previous year, with sales of natural gas showing a gain of approximately 15%. Net income of $10.1 million, equal to $5.42 a share of outstanding capital stock, was after depletion, depreciation and intangible drilling costs, and dry hole costs, totaling more than $6.7 million, or $3.63 a share, indicating actual cash earnings of $9.05 a share for the 12 months to Dec. 31, last. For the six months to June 30, 1954, reported net per share was equal to $2.80, as compared with $2.75 for the 1953 corresponding period. Of equal and perhaps, greater importance, is the company's holdings in oil and gas acreage and its estimated underground reserves. Most recently available figures show the company to be holding a total of 1,367,504 acres in the U. S., of which 158,000 are in the Williston Basin in Montana, 99,466 acres in California, 662,491 acres in New Mexico and Texas, 181,431 acres in Mississippi, with the balance in several other states. Underground reserves of the company are unofficially estimated at 163 million barrels of crude oil and 286 billion cubic feet of natural gas. On conservative valuations, these reserves represent an equity of approximately $73 a share for the capital stock, exclusive of the company's Pembina field in Alberta, Canada, with reserves variously estimated from 25 to 50 million barrels.

DIVIDENDS: Except for 1932, payments have been made in each of the last 37 years. With the declaration of dividend paid last September annual rate was raised to $3.

MARKET ACTION: Recent price of 71, compares with a 1953-54 price range of High—78¾, Low—47. At current price, the yield is 4.2%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	June 30 1954	Change
ASSETS		(000 omitted)	
CURRENT ASSETS	$ 2,824	$ 17,835	+$ 15,011
Net Property	20,513	44,717	+ 24,204
Investments	193	038	— 155
Special Funds	076	328	+ 252
Other Assets	165	328	+ 163
TOTAL ASSETS	$ 23,771	$ 63,246	+$ 39,475
LIABILITIES			
CURRENT LIABILITIES	$ 1,310	$ 3,255	+$ 1,945
Reserves	463	....	— 463
Long Term Oblig.	1,500		— 1,500
Long-Term Contr.		2,426	+ 2,426
Capital Stock	9,285	18,755	+ 9,470
Surplus	11,213	38,810	+ 27,597
TOTAL LIABILITIES	$ 23,771	$ 63,246	+$ 39,475
WORKING CAPITAL	$ 1,514	$ 14,580	+$ 13,066
CURRENT RARTIO	2.1	5.5	+ 3.4

INLAND STEEL COMPANY

BUSINESS: A fully integrated steel company, operating plants in the important Chicago steel market which appears destined to expand as the St. Lawrence Seaway Project gets under way. Inland should benefit materially from this development. The company's position is further strengthened by its large warehousing organization with branches in other principal steel consuming centers throughout the nation.

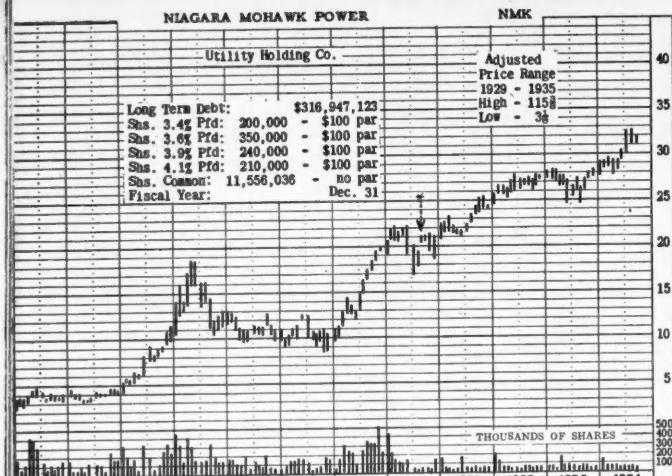
OUTLOOK: Inland Steel, now in its 61st year, has compiled a record of growth that is marked by an outstanding ability to maintain mill operations well above the average for the steel industry as a whole. Last year, its ingot production was 100.3% of rated capacity as against industry average of 94.9%. For the 1954 first half-year when the industry averaged 71.5%, Inland's rate was at 99.3%. Its ability to maintain this comparatively high operating rate reflects the benefits derived from the strategically located plants in the Chicago area, the world's biggest steel consuming market as well as its ability to serve the rest of the country's important steel consuming territories. The company's growth has been particularly rapid since 1946. Ingot capacity has increased from 3.4 million to, at the beginning of 1954, 4.7 million tons annually. Sales have expanded from $217.7 million to a 1953 peak of $575.5 million, with net income for the latter year being equal to $6.90 a share of capital stock as compared with $3.18 in 1946. In the 1954 first half-year Inland, aided by the elimination of EPT, was able to report net earnings equal to $3.92 a share. This compares with $3.20 shown for the 1953 first half, presaging, with the current upturn in steel demand, 1954 per share earnings of well in excess of $7.50 a share. Inland continues to expand as a steel producer. Since the end of the war it has expanded more than $246 million for improvements and additions, increasing efficiency and providing for future plant growth. In addition, a new plant expected to be in operation late next year will give Inland entry into expanding market for wide flange structural beams which it will produce in a wide-range of sizes.

DIVIDENDS: Payments, since the 3-for-1 split in 1946, have been on a 75-cent quarterly basis, plus 50 cents extra in 1953. This extra should be repeated this year.

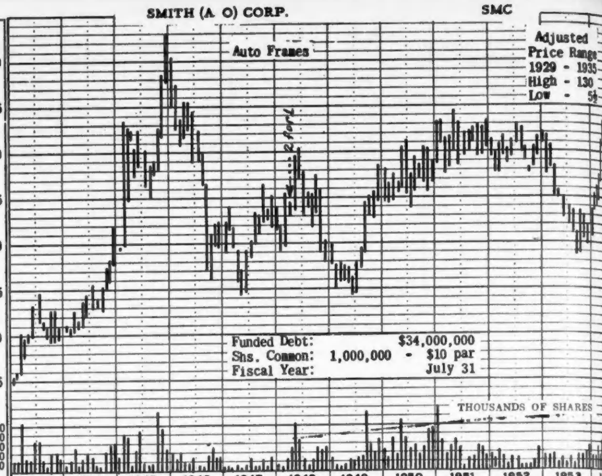
MARKET ACTION: Recent price of 66, compares with a 1953-54 price range of High—69⅞, Low 35⅞. At current price, yield on $3.50 dividend basis is 5.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 46,780	$ 66,695	+$ 19,915
Receivables, Net	13,491	28,722	+ 15,231
Inventories	33,488	115,783	+ 82,295
TOTAL CURRENT ASSETS	93,759	211,200	+ 117,441
Net Property	85,303	199,787	+ 114,484
Investments	2,485	20,328	+ 17,843
Other Assets	3,177	1,539	— 1,638
TOTAL ASSETS	$184,724	$432,854	+$248,130
LIABILITIES			
Debt Payable	....	$ 2,856	+$ 2,856
Accounts Payable	$ 8,411	28,325	+ 19,914
Accruals	3,004	10,758	+ 7,754
Tax Reserve	10,438	23,649	+ 13,211
TOTAL CURRENT LIABILITIES	21,853	65,588	+ 43,735
Reserves	10,783	6,369	— 4,414
Long Term Debt	32,500	111,147	+ 78,647
Capital Stock	62,500	62,852	+ 352
Surplus	57,088	186,898	+ 129,810
TOTAL LIABILITIES	$184,724	$432,854	+$248,130
WORKING CAPITAL	$ 71,906	$145,612	+$ 73,706
CURRENT RATIO	4.3	3.2	— 1.1



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	.33	.31	.44	1.37	1.25	1.15	1.32	1.96	2.05	1.92	2.03	E2.10
DIV.	-	-	-	-	-	-	-	1.40	1.45	1.60	1.60	
Wkg Cap $ Mil	35.8	35.2	24.5	20.5	12.1	9.4	13.8	17.0	16.0	5.3	(d)2.3	



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	2.83*	4.36*	3.54	2.26	3.00	6.89	7.02	7.45	7.00	5.02	5.11
DIV.	.50	.50	.50	.50	.50	.87½	1.60	1.60	1.70	2.00	2.00
$ Mil	41.8	52.6	55.0	19.2	21.6	26.5	29.2	40.3	52.5	55.3	67.0

* Before Credit for post-war tax refund.

NIAGARA MOHAWK POWER CORPORATION

AREA SERVED: Ranks as one of the world's largest electric and gas operating companies. It serves a 22,000 square mile territory in N. Y. State, embracing 30 cities, 621 towns and villages, 62,000 farms and well diversified industries and mineral resources.

OUTLOOK: Niagara Mohawk, with operating revenues in 1953, totaling $205.2 million of which $174.1 million, or 84.9% represented electric revenues, and slightly more than $31 million, or 15.1% were gas revenues, continues to expand. With the recent completion a few weeks ago of another 100,000-kw. unit at its Albany steam station the company now has the capacity to produce in excess of 2.9 million kw. electric power for the expanding rich agricultural and industrial area extending from Albany west to Buffalo. Since 1946, expenditures for expanding electric and gas facilities to the end of 1953, amounted to $349.8 million, increasing the System's utility plant account to $800 million, with an additional $60 million estimated as the cost of construction of new facilities during the current year. Within the four years to the close of 1953, $255.4 million of retained earnings for this period have gone for property acquisitions and the construction of new plants and equipment. Net earnings for 1953, at an all-time peak of $26.3 million, were equal to $2.03 a share, compared with $1.92 for the previous year and $1.87 for 1951, based on the outstanding common stock at the end of each period. Operations in 1954 are likely to set new records in electric and gas revenues and net earnings, operating revenues for the first half-year of $109.9 million comparing with $106.3 million a year ago, with net per share of common at $1.22, compared with $1.21 for the 1953 first half on the amount of shares currently outstanding. A development of tremendous significance in Niagara Mohawk's future status is the company's participation in the St. Lawrence Power Project. This is in addition to the proposed private enterprise development of an additional 1.6 million kw. hydro-electric capacity at Niagara Falls which is awaiting approval from the 84th Congress.

DIVIDENDS: Current dividend rate is 40 cents a share quarterly.

MARKET ACTION: Recent price of 29¼, compares with a 1953-54 price range of High—32¾, Low—24⅝. At current price, the yield is 5.4%, an attractive return for a quality stock possessing growth potentials.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	June 30 1954	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 36,760	$ 16,515	—$ 20,245
Receivables, Net	10,501	12,267	+ 1,766
Materials & Supplies	6,951	15,232	+ 8,281
TOTAL CURRENT ASSETS	54,212	44,014	— 10,198
Plant & Property	553,973	841,353	+ 287,380
Invest. & Funds	25,738	1,065	— 24,673
Other Assets	8,006	15,946	+ 7,940
TOTAL ASSETS	$641,929	$902,378	+$260,449
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 18,917	$ 44,422	+$ 25,505
Other Liabilities	19,842	2,165	— 17,677
Reserve for Deprec.	91,458	210,869	+ 119,411
Other Reserves	9,569	....	— 9,569
Long Term Debt	201,621	316,947	+ 115,326
Preferred Stock	175,145	101,081	— 74,064
Common Stock	95,810	164,650	+ 68,840
Surplus	29,567	62,244	+ 32,677
TOTAL LIABILITIES	$641,929	$902,378	+$260,449
WORKING CAPITAL	$ 35,295	$(d) .408	—$ 35,703
CURRENT RATIO	2.8	....	2.8

A. O. SMITH CORPORATION

BUSINESS: The company, a large fabricator of diversified steel products, for the petroleum chemical and other industries, is an important producer of welded pipe of large diameter for oil and gas lines, demand for which should continue to increase as new producing fields are opened up and new pipe lines laid. The company is also one of the largest manufacturers of chassis for the automobile industry; welded pressure vessels and a number of other products for major industries and residential use.

OUTLOOK: While sales and earnings of the company are bolstered to some extent by wide product diversification, the principal divisions are the manufacture of passenger car and trucks frames, and production of line pipe and casing for the petroleum and natural gas industries, as well as heavy walled pressure vessels, heat exchangers and similar equipment for industry and atomic energy projects. Other divisions showing growth are those producing meters for the petroleum refining and marketing industry, and that producing electric motors, including hermetic motors used extensively in refrigeration and air conditioning equipment. Growth in these and other divisions in the postwar years is clearly depicted by expansion of net sales from $82.4 million in 1946, to $225.5 million in the fiscal year ended July 31, 1954. This latter figure is exclusive of approximately $24 million in defense business which, when added, brings the year's total sales to $249.5 million. For the fiscal year ended last July, net income of $5.4 million, equal to $5.41 a share of common stock—there is no preferred—compares with $5.1 million for the preceding year, the equivalent of $5.11 a share, and $5.02 a share in the year ended July 31, 1952. The company, laying the groundwork for further expansion, recently completed a new automobile frame plant, modernized production equipment, and among other forward steps, continues to develop its line of home heating products and its "Harvestore," the glass-coated mechanical unloading farm crop storage unit. At the same time, emphasis is being placed upon research aimed at improving products and developing new lines.

DIVIDENDS: Dividends are currently being paid at the rate of 50 cents quarterly.

MARKET ACTION: Recent price of 38¼, compares with a 1953-54 price range of High—42, Low—25⅝. At current price, the yield is 5.2%.

COMPARATIVE BALANCE SHEET ITEMS

	July 31 1944	1954	Change
ASSETS		(000 omitted)	
Cash & Marketable Securities	$ 32,170	$ 13,570	—$ 18,600
Receivables, Net	14,762	14,835	+ 073
Inventories	21,990	28,745	+ 6,755
Defense Contr.	....	21,425	+ 21,425
Other Current Assets	1,312	617	— 695
TOTAL CURRENT ASSETS	70,234	79,192	+ 8,958
Net Property	10,309	40,005	+ 29,696
Investments	067	1,109	+ 1,042
Other Assets	2,215	713	— 1,502
TOTAL ASSETS	$ 82,825	$121,019	+$ 38,194
LIABILITIES			
Accounts Payable	$ 4,887	$ 8,610	+$ 3,723
Accruals	189	3,787	+ 3,598
Tax Reserve	8,475	4,052	— 4,423
Other Current Liabilities	4,000	1,529	— 2,471
TOTAL CURRENT LIABILITIES	17,551	17,978	+ 427
Reserves	2,466	1,402	— 1,064
Long Term Debt	30,000	33,000	+ 3,000
Common Stock	5,000	10,000	+ 5,000
Surplus	27,808	58,639	+ 30,831
TOTAL LIABILITIES	$ 82,825	$121,019	+$ 38,194
WORKING CAPITAL	$ 52,683	$ 61,214	+$ 8,531
CURRENT RATIO	4.0	4.4	+ .4

Stocks With Above Average Yields

By PHILLIP DOBBS

The steady upward movement in common stock prices within the past year has carried the majority of high-grade equities to levels where their yields, on the basis of current dividend rates, are 3-4½%. Considering the present easy money policy of the Federal government which probably will be adhered to for some time to come, there appears to be little likelihood of high-grade equities reacting sufficiently in price to increase these yields to any appreciable extent.

In the face of prevailing conditions therefore, it is, somewhat difficult for the investor desiring a return of 5 per cent, or very close to it, to find sound equities yielding that much at present market prices which have dependable dividend as well as earnings records and which furnish reasonable assurance that current dividend rates will be maintained. Stocks of this type are particularly sought after by investors.

Although not easy to find, there are still a few common stocks that rank as sound issues and merit the attention of the prudent investor whose chief interest is income from his investment funds rather than capital gain through market appreciation over the near-term. In order to locate issues qualifying as sound media for those wanting more than a three or four per cent return and, at the same time dependability of income, we have weighed a number of issues. From a group of not more than 17 such issues we have selected 10 yielding 5%or slightly higher. These selections are made up of companies that have paid dividends on their common shares over a period of time ranging from 11 to 62 years without interruption and which are among the foremost in their particular fields.

The accompanying compilation shows their earnings and dividend records over the last 10 years. In the following paragraphs we present brief comment on each issue in this selected group:

American Telephone & Telegraph Co. This is an ideal stock for investors who are primarily concerned with stability of income. For 54 years, based on available records, this giant corporation has paid dividends without interruption. Even more significant is the fact that the current dividend of $9 a share annually has been paid without a break for the past 32 years, a period which witnessed the worst depression in the history of the United States. Although many had expected that the $9 annual dividend would have to be cut during the depression, the management, nevertheless, decided that it was of utmost importance to maintain the dividend even through the worst years. Because of its high credit standing, the company has preferred to finance its growing capital requirements through the issuance of convertible debentures rather than by relying entirely on retained earnings. For this reason, the comparatively narrow margin of earnings over dividends has very little significance insofar as this particular issue is concerned. It would seem, therefore, that A T & T common would prove a good

vehicle to conservative investors primarily interested in income. At the present price of about 170 a share the stock yields 5.3%, which is above average of the yields now available from stocks of similar caliber.

Atchison, Topeka & Santa Fe Railway common stock, because of the road's good earning power and dependable dividend record over the last 14 years, is a conservative issue that should appeal to investors seeking a medium for funds that will return above average yield. Quarterly dividends are currently being paid at the rate of $1.25 a share and it is expected that these payments will again be supplemented in 1954, as they were last year, with the declaration of an extra of $2, bringing the total yearly distribution to $7 a share to yield 5.9% on present market price around 118. Indicated net earnings for 1954 of approximately $11.25 a share for the common stock would provide broad coverage for total dividend requirements. Moreover, the road, because it was able to finance its improvement program, including dieselization at a cost of more than $434 million to the end of 1953, from internally generated funds, it avoided necessity of saddling itself with equipment obligations which, as a matter of fact, were brought down to a little more than $1 million from $24.1 million outstanding at the close of 1947. At the same time funded debt also was brought down to where interest requirements of $7.8 million for 1953, were the lowest of any year for the last half century. The road's strong finances and favorable earnings outlook provide a strong base for continued liberal dividend disbursements.

Commercial Credit Corp., for some time now has been increasing its investment status which is reflected marketwise by the almost steady trend of the issue to sell on a continuing lower yield basis. At the present time this yield, on the $2.60 annual dividend rate is 5.5% at current price of around 47 per share. The company, which has paid dividends without a break for the last 20 years, has proved to be a reliable income-producer, with net earnings for 1953 at a record high of $5.21 a share, or twice annual dividend requirements. On a conservative estimate, 1954 earnings should parallel the previous year's results, although that showing might be bettered in view of the earning power which the company derives through diversification of operations in wholesale and retail automobile sales and other consumer durables financing, factoring, insurance, and its several manufacturing subsidiaries.

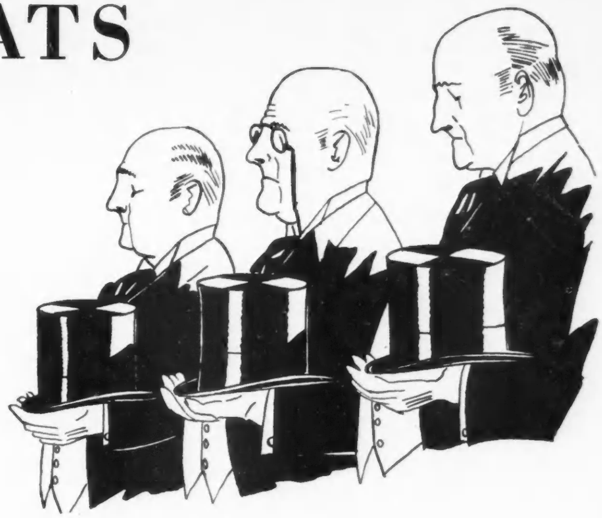
Duquesne Light Co., common is a good-quality utility stock that is not only attractive for its current yield, but has additional appeal because of its growth potentials over the longer-term. The company operates in the Pittsburgh area where it furnishes electricity to a dense population and highly industrialized Pittsburgh and neighboring cities and towns, and is now active in atomic energy power developments. The company which up to 1951 was part of the Philadelphia Co. System has, on the basis of available records, a dividend history going back over 38 years. Immediately following its separation from the Philadelphia Co., and the restoration of its status as an independent electric utility company, dividends on the common stock were inaugurated at the rate of $1.50 a share annually. Subsequently these disbursements were increased to $1.55 a share in 1953, and twice increased during 1954, to a current annual rate of $1.72 a share, the last two quarterly payments amounting to 43 cents each. Duquesne's earnings (*Please turn to page* 224)

10-Year Dividend-Earnings Record of Selected Investment Stocks

	Number of Consecutive Years Div. Paid		1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
American Tel. & Tel.	54	Earn. Per Sh.	$ 8.93	$10.23	$ 7.66	$ 9.86	$ 9.70	$12.58	$11.76	$11.45	$11.71	$11.00
		Div. Per Sh.	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Atchison, Top. & Santa Fe	14	Earn. Per Sh.	4.78	6.76	8.55	11.66	9.03	15.64	13.83	13.29	14.62	11.25
		Div. Per Sh.	3.00	3.00	3.00	4.00	4.00	4.25	4.00	5.75	5.00	7.00
Commercial Credit	20	Earn. Per Sh.	1.20	1.07	1.92	5.50	4.58	4.32	4.33	4.34	5.21	5.20
		Div. Per Sh.	1.00	1.00	1.00	1.60	2.00	2.40	2.40	2.40	2.40	2.60
Duquesne Light	38[1]	Earn. Per Sh.	1.47	1.41	1.28	1.51	1.59	1.86	2.01	2.10	2.22	2.25
		Div. Per Sh.	......	......	......	......	......	......	......[3]	1.50	1.55	1.66
General Telephone	18	Earn. Per Sh.	1.10	1.47	1.42	1.45	1.35	1.79	1.75	2.17	2.65	2.70
		Div. Per Sh.	1.06	1.06	1.32	1.32	1.32	1.32	1.32	1.32	1.46	1.60
Guaranty Trust Co.	62	Earn. Per Sh.[2]	3.43	3.61	3.44	3.61	3.51	3.39	3.56	4.04	4.44	4.50
		Div. Per Sh.	2.34	2.34	2.34	2.40	2.40	2.40	2.80	3.00	3.45	3.55
National Biscuit	55	Earn. Per Sh.	1.39	2.45	3.37	3.11	3.17	3.08	2.30	2.56	2.61	2.80
		Div. Per Sh.	1.20	1.20	1.50	2.00	2.00	2.30	2.00	2.00	2.00	2.00
Ohio Edison	24	Earn. Per Sh.	1.32	2.65	2.96	2.56	2.83	2.93	2.60	2.97	3.15	3.20
		Div. Per Sh.	1.00	2.10	2.00	2.00	2.00	2.00	2.00	2.05	2.20	2.20
Southern Railway	12	Earn. Per Sh.	5.12	2.41	3.43	6.26	3.43	7.47	6.11	9.57	11.63	8.25
		Div. Per Sh.	1.50	1.50	1.50	1.62½	2.00	1.50	2.00	2.00	2.50	3.50
Sterling Drug	52	Earn. Per Sh.	2.60	3.59	3.00	3.24	3.29	3.41	2.91	2.63	2.91	3.25
		Div. Per Sh.	1.55	1.90	2.00	2.25	2.25	2.50	2.25	2.00	2.00	2.00

1—Previous record, if any, not available.
2—Operating earnings.
3—All common held by Phila. Co. prior to 1951.

ARISTOCRATS of the MARKET



By ROGER CARLESON

It is almost standard practice among fiction writers, in depicting village life, to make reference to "the other side of the track," a real or symbolic line separating the plain, simple folk of the community from the gentry who are some times referred to as the "aristocrats."

It may be a revelation to many investors to learn that there are some common stocks that are also of the gentry or, if one chooses to so classify them, members of the "aristocracy." Such issues are not, as might be expected, General Motors, Westinghouse Electric, General Electric, Standard Oil of N. J., U. S. Steel, and the equities of similar leading industrial companies. In a sense, these issues, too, might also be termed aristocrats, considering their standing in their respective fields, were it not for the fact they are "commoners" because their stocks are among the most active marketwise and are so widely held by the investing public. For instance, General Motors' common is owned by, roughly, 465,000 investors; General Electric by 248,000, and United States Steel by approximately 231,000 investors, who include, as is the case with the other companies mentioned, individuals in all walks of life, pension funds, and institutions. These are all issues with active markets in which thousands of shares are traded almost every day.

Very Sound But Infrequently Seen

Not so with the "aristocrats" of corporation equities. For the most part, these are stocks traded in only upon comparatively rare occasion and at prices ranging from a little under $300 a share to as high as $9,000 for a single share. What manner of companies are these that their common shares should sell at such fantastically high levels, and what type of investor is interested in them to the extent that he is willing to pay $300, $400, $800 and $9,000 for just one share, and why? True enough, the issues comprising this group of aristocrats is not a long one. It is made up of seven issues listed on the New York Stock Exchange, including Coca Cola International for which the current bid is $840; Superior Oil of California, currently quoted 680 bid, 720 asked; Mahoning Coal Railroad, 525 bid, 540 asked; New York & Harlem Railroad, 401 bid, 485 asked; International Business Machines, currently selling around 312; and Rohm & Haas, currently quoted at 262 bid, 268 asked. The latter two issues, more active in the market than the others, are newcomers to the aristocracy, International Business Machines having come up from a 1954 low of 164, adjusted for the 25% stock dividend, while Rohm & Haas common crossed the "tracks" this year when it advanced from a 1954 low of 148 to a recent high of 281½. These are rather awe-inspiring market values to the average investor with a portfolio made up of stocks selling at only a few dollars a share to perhaps as much as $100 a share.

One other issue which must be added to the aristocracy and which on the basis of current bid and asked prices makes others in the group look low priced, is Christiana Securities Co. common. Here's an issue that was recently quoted at $9,050 bid, with stock offered at $9,350 a share. This is a quotation in which the spread of $300 between the bid and asked would alone be sufficient to purchase at recent markets, roughly 2½ shares of General Motors, seven shares of General Electric, or in lieu of either one of those stocks, approximately 1⅔ shares of American Telephone & Telegraph's capital stock.

Christiana Securities common, on

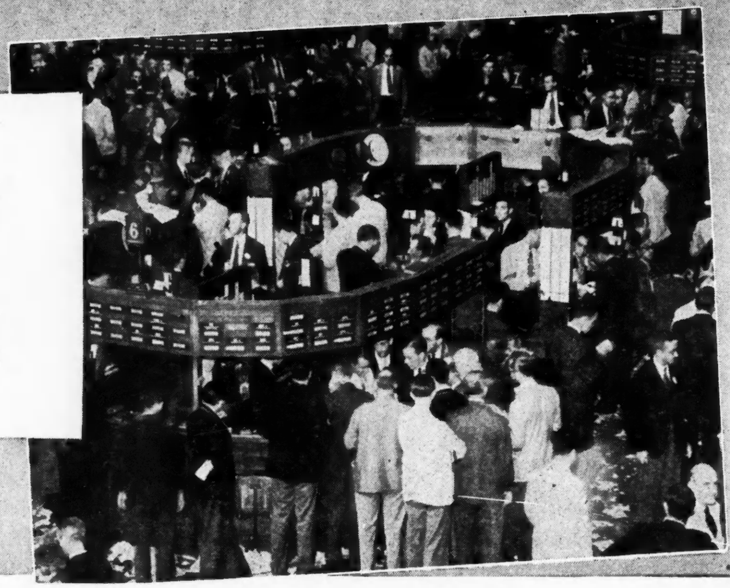
(*Please turn to page* 228)

"Aristocrats" Among Stocks

	Common Shares Outstanding	1954 Price Range	Current Bid-Asked	Indicated Dividend
Christiana Securities Co.	150,000	$9,300-7,175	$9,050-9,350	$296.00
Coca Cola International	161,088	976- 930	840- [1]	36.85
International Business Machines	4,098,471	320- 271	311- 313	4.00[2]
Mahoning Coal Railroad	9,078	530- 499	525- 540	35.00
New York & Harlem R.R.	8,000	515- 348	401- 485	5.00
Rohm & Haas	935,695	281- 148	262- 263	1.60[2]
Superior Oil of California	422,263	816- 635	680- 720	2.00

1—None offered. 2—Plus stock dividend.

FOR PROFIT AND INCOME



November

For the Dow industrial average November has a slightly better record than October. It has brought some net gain in 31 years, some net retreat in 24 years. Adding October, 1954, to the record, results for this month have been: some gain in 28 years, some decline in 28. Rails had a small net gain in October, despite recent easing. That made the long-term record of this average: October gains in 27 years, declines in 29 years. Through 1953 the rail November record was: gains in 26 years, declines in 29 years. Thus, the record shows little in the way of a seasonal November tendency, despite tax selling which has usually been a factor—at least in modern years of high taxes rates—in late November and generally running at least into early December. December, the month of subsidence of tax selling and of the "traditional" year-end rise, has the best record for industrials, with gains for that month in 40 years, declines in only 16. For reasons that defy rational explanation, July has been the best month for the rail average, with gains in 40 years, including this one; declines in 17 years. The December rail record through 1953 was: 33 ups and 23 downs.

Response

Despite some exceptions, stocks have mostly been responding rather negatively to good third-quarter earnings reports or good dividend news, and responding positively to disappointing news. To cite a few examples, there was good dividend news recently in the case of Texas Company. Standard Oil (New Jersey) Allied Chemical, Gillette and Pure Oil. The stocks are all lower now than they were not long before the good dividend news came along. There were hopes of boosts in the fourth-quarter payments of Armco Steel and U. S. Steel. When payments were voted at only the previous regular rates, both stocks reacted. So there has been profit taking on good news and profit taking on disappointing news. Those are indications of a market which has been tired by long and large prior advance, and which needs a rest via consolidating pause or reaction. Another indication is that the Dow industrial average has not been able to close anywhere near the daily intra-day highs since shortly after mid-September. Repeatedly, strength in the morning or early afternoon has been snuffed out by offerings before the close.

Cigarettes

The cigarette stocks now show considerable evidence of having been sold out. They have taken several additional adverse medical reports on the alleged lung-cancer link, including a statement of the American Cancer Society that it will issue a pamphlet advising the public against smoking cigarettes, without approaching their earlier lows. Three recent medical reports are of interest in that each points the finger of suspicion at cigarette paper rather than the tobacco, with one suggesting that there are chemical means of eliminating the injurious substance from cigarette paper. Al-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Blockson Chemical	Quar. Sept. 30	$ .58	$ .49
Pepsi-Cola Co.	Quar. Sept. 30	.42	.35
Gulf States Utilities	12 mos. Aug. 31	1.90	1.71
Minneapolis-Honeywell Reg.	Quar. Sept. 30	1.14	.87
Rohm & Haas Co.	Quar. Sept. 30	2.86	1.48
Thompson Products	9 mos. Sept. 30	6.49	5.51
General Portland Cement	Quar. Sept. 30	1.91	1.46
International Bus. Mach.	9 mos. Sept. 30	8.19	5.88
Columbia Pictures Corp.	Year June 26	4.41	.90
Shamrock Oil & Gas Corp.	9 mos. Aug. 31	3.65	2.82

though there is more investigating to be done, these findings seem to tie with indicated greater prevalence of lung cancer among cigarette smokers than among cigar or pipe smokers. The industry needs not only relief from cancer-scare talk, but also to cut down on the greatly increased and uneconomic number of competing brands of regular-size, king-size and filter-tip cigarettes. Yields on the stocks are rather high. There is now probably more to be said for holding the leader stocks – Reynolds and American Tobacco – or accumulating them on dips, than for selling. Reflecting benefit of EPT lapse, Reynolds Tobacco earned $3.22 a share in the first nine months, against $2.35 in the like 1953 period, a gain of 37%. More significant, earned $1.23 a share in the third quarter, against 86 cents a year ago, a gain of about 43%. Moreover, the quarter's net before taxes was less than 2% down from a year ago. Reynolds "B" is currently at 38, against 1954 low of 33⅝ and high of 40¼. The 1953 low was 33⅝, the high 49. On a secure $2.40 dividend, the current yield is a better than average 6.3%.

Groups

Stock groups which have shown above-average strength in a soft market in recent trading up to this writing are limited pretty much to air transport, liquor, building materials, office equipments, (excepting the cement issues) farm equipments and proprietary drugs. Groups which either look "tired" at least for the time being include: aircraft, cement stocks, coppers, finance companies, dairy products, gold mining, metal fabricating, movies and steels. Aircrafts have been under some profit taking. Some declines from recent highs to prices at this writing are roughly: Boeing 9 points, Douglas nearly 8 points, Grumman 4 points, Northrop 4 points and United Aircraft 6 points.

Strong

At this writing, some strong stocks in a sagging market include: Allis-Chalmers, American Airlines, Armstrong Cork, Bell & Howell, Bristol-Myers, Capital Airlines, Caterpillar Tractor, Champion Paper, Container Corp., Dana, Deere, Eastern Air Lines, Maytag, McGraw Electric, National Gypsum Norwich Pharmacal, Outboard Marine, Pabco, Rayonier, United Air Lines, and U. S. Gypsum.

Earnings

As reported to stockholders under standard bookkeeping practices, earnings are not necessarily fully indicative of a company's ability to maintain a given dividend rate or to increase it. A company which reports net of a million dollars for a given period, and which has paid no dividends during that period, may or may not have added a million dollars to cash holdings. Only the latest available balance sheet shows cash holdings. The company may have used all or part of cash obtained from earnings to pay off some debt. In a period of inflation, inventory accumulation and expansion of plant and equipment—like much of the postwar period into 1953—dividend-paying ability is generally less than is superficially suggested by reported profits; and pay-out rates (ratio dividends to earnings) are low. For some time now we have had a reverse situation, with inventories being liquidated and plant-expansion outlays tapering down, and with the dollar stabilized. On the whole, reported earnings are now more "real" than in some time, in the sense that most companies have less need to retain cash and can afford to pay out a somewhat increased proportion of profits. Yet many are far from "real" when depreciation and amortization charges are considered. This is discussed at length on pages 187-189.

As a result of the effects of accelerated amortization (five years) of portions of the huge plant-equipment outlays of recent years, investors and analysts are now paying more attention to "cash" earnings. That is, per share earnings before amortization-depreciation-depletion. For companies which are subject to heavy non-cash charges of this kind, and which have cut their capital outlays, the effect is to swell the inflow of retainable cash, thus increasing ability to maintain or increase dividends, even in some instances where reported profits are lower, to liquidate some debts. Examples are plentiful in such lines as steel, aluminum, chemicals, aircraft and various others.

Oils

With most oil companies it is not mainly a matter of accelerated amortization but the special 27.5% depletion allowance for tax purposes which has for years resulted in cash earnings generally far above earnings as reported to stockholders. This is the major reason why leading companies have been able to make huge capital investments in many cases without external financing, pay reasonably good dividends and build up impressive cash holdings. If depletion allowance were ever cut sharply (this seems unlikely) oil stocks would have quite a nose dive. Here are a few examples of 1953 reported versus cash earnings: Cities Service $13.05 and $28.39; Sinclair Oil $5.53 and $11.80; Socony-Vacuum $5.35 and $9.16; and Union Oil of California $6.41 and $14.62.

Chrysler

There was a good deal of earlier buying of Chrysler by people willing to bet that the company's new models would give it a substantial recovery in share of the total car market. We agreed with the basis for speculation in the

(*Please turn to page* 228)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

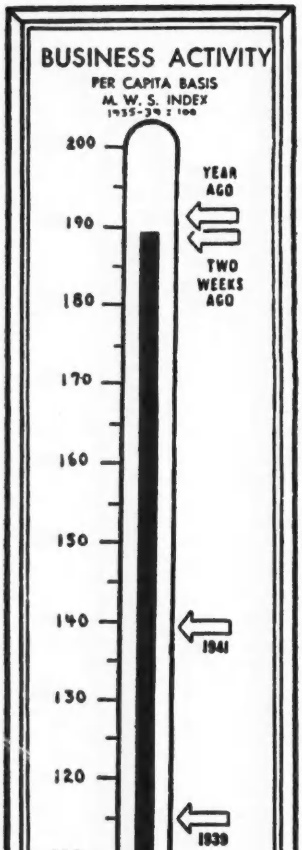
		1954	1953
American Airlines, Inc.	Quar. Sept. 30	$ .02	$ .62
Elliott Co.	9 mos. Sept. 30	2.43	3.20
Deere & Co.	9 mos. July 31	2.19	2.74
Dow Chemical Co.	Quar. Aug. 31	.36	.43
Granite City Steel	Quar. Sept. 30	.57	1.41
Industrial Rayon	9 mos. Sept. 30	.64	1.17
Eversharp, Inc.	6 mos. Aug. 31	.48	.64
Continental Motors Corp.	Quar. July 31	.19	.41
Southern Natural Gas	12 mos. Sept. 30	1.86	2.00
General Cigar Co.	Quar. Sept. 30	.45	.67

The Business Analyst

What's Ahead for Business?

By E. K. A.

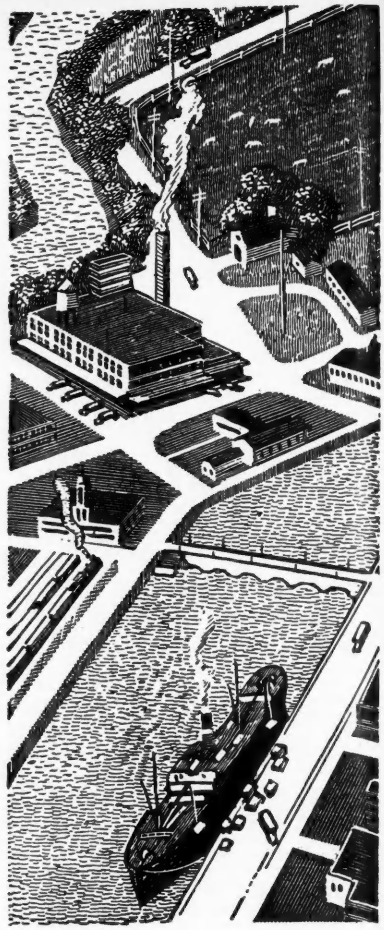
The steady declines in farm income during recent years and the prospect for still further drops merit attention from business men and investors. It is significant that these declines occurred during the period while general business activity was rising to the highest levels in history and that the decline was accelerated during the current year of business slowdown.



The big and important farm market has contracted. Net farm income this year is estimated by the Department of Agriculture at $12.5 billion as compared with $13.3 billion in 1953 and $16.8 billion in the peak year 1947. The decline in purchasing power of farmers is greater than the decline in net income since the cost of goods and services has increased considerably since 1947.

Back there, shortly after the end of the war, export demand for United States farm products was at high levels. This provided a substantial boost to prices. An additional boost came from the impact of inflation, which historically always has forced up prices of farm products further and faster than prices of other goods and services. Now, agricultural production abroad is back on its feet and export demand for United States farm products is down.

Huge surpluses of wheat, cotton, and a number of other products have accumulated as a result of artificially high governmental price support programs and the resultant failure of farmers to cut output in line with reduced demand. There is little hope of paring these surpluses to any appreciable extent and, as a matter of fact, they may increase further during the next few years despite governmental restrictions on plantings of some crops. It is all but impossible for political reasons to cut acreage as sharply as needed to eliminate the surpluses. Then, too, yields mount when acreage restrictions are in force since farmers use only their more fertile acres and increase their use of fertilizers.



Under existing circumstances, the recent statement of the Department of Agriculture that net farm income during 1955 probably would hold at about 1954 levels appears to be more a pious hope than a true forecast. The Department grants that gross farm income will decline further next year but claims that lower production expenses—as a result of scheduled cutbacks in wheat and cotton plantings principally—will about offset the decline in gross income. And, although farm products prices still are declining and now are below the levels of a year ago, USDA officials are on record as estimating that 1955 prices will be about the same on an average as in 1954.

The probabilities are, according to some unbiased economists, that net farm income in 1955 will contract to $12.0 billion or even less. The long rise in the cost of goods and services purchased by farmers has been checked, but there is little likelihood of any appreciable decline next year. Actual farm purchasing power from net income, when allowance is made for the decline in the value of money, probably will not be much greater than prewar.

Since ours is primarily an industrial economy, agriculture can languish for a number of years without any apparent effects on overall business activity. But, for some lines of business—such as manufacturers of farm implements, mail order houses, and other enterprises that cater to the farm market—the contraction in farm income is a serious affair. A number of these are endeavoring to divorce themselves from complete dependence on the farm market by branching out into other lines and areas with some measure of success. However, they are finding competition keen.

The Business Analyst

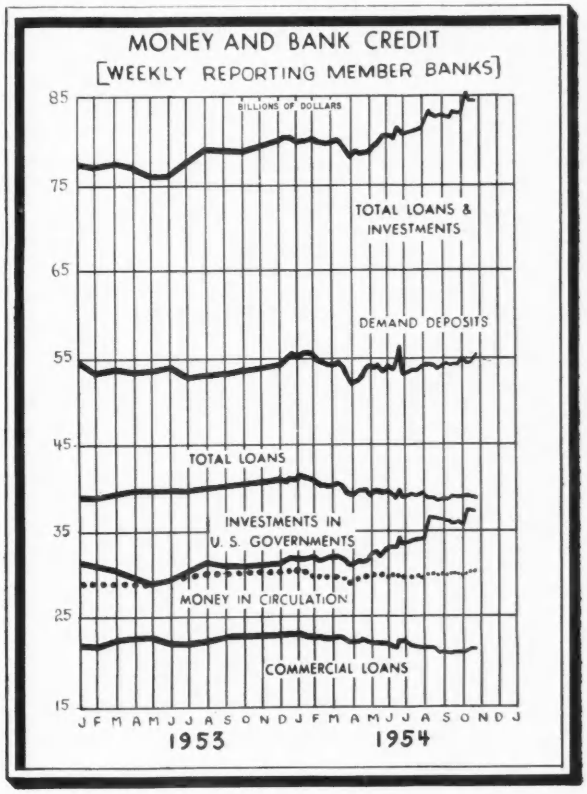
HIGHLIGHTS

MONEY & CREDIT—It looks as though the Treasury will be able to avoid coming to market this year, for new money to finance the budget deficit. Instead, the Administration is planning to utilize other Government agencies in raising the needed funds and a big start in this direction was made on October 22 with the Commodity Credit Corporation's offer of $1.15 billion worth of certificates of interest in its crop loans. These certificates which bear 1⅝% interest and mature on August 1, 1955, were well received, with subscriptions running to some four times the amount offered. Another likely source of funds is the Federal National Mortgage Association (Fanny Mae) which is thinking of obtaining credit against a portion of its $2.5 billion holdings of Government-guaranteed mortgages. Money raising via these sources is more expensive than direct Treasury borrowing but the nation's fiscal authority seems to think that retention of its borrowing capacity for emergency use is more important than the extra cost involved. There are various contingencies that might call for emergency borrowing ,including possible Government action in case of some sudden business downturn.

New bond issues are definitely on the wane in November after a hectic two months which broke most records. Offerings of fixed income securities in October totaled $1,342 million, down a little from September, but the highest October in 28 years. State and municipal governments were in the forefront again last month, borrowing $720 million, or 75% more than a year ago. Corporate offerings also were big, but refundings in this field bulked larger than new money loans.

The bond markets have not been in an especially receptive mood in the second half of October and new issues have been piling up on underwriters shelves. Fortunately, the paucity of offerings this month is expected to give them an opportunity to pare their inventories to more normal levels. Meanwhile, there is puzzlement in some financial circles as to why the bond market is not bubbling, in view of the Federal Reserve's easy money policy and the 10% decline in corporate borrowing this year as compared to 1953. Part of the answer lies in the demand for funds by other sources, notably state and local governments, which are due to top 1953 by some $1.5 billion, or 20%. Real estate debt is not taking a back seat either and mortgage borrowing is going to hit a new high this year. With the return on mortgages much more liberal than on most other debt, this type of loan is a tough competitor for investment funds.

TRADE—Retail trade picked up a bit as October drew to a close, after being hit by hurricane, flood and smog earlier in the month. Total dollar volume in the week ending Wednesday, October 27, was about 1% ahead of a year ago, according to estimates by Dun & Bradstreet. The Southern and Southwestern regions made the best showing, with a year-to-year gain of 5%. Apparel sales were higher last week and demand for food was brisk. Retailers of household goods ran many price promotions and sales improved but were still under last year. Auto buying was at a low ebb as shoppers awaited the introduction of new models.



INDUSTRY—Industrial output improved further in October, according to the regular monthly survey by the National Association of Purchasing Agents. Incoming orders also were higher, the buyers' organizataion reported. Inventories of purchased industrial materials continued to decline last month but the majority of producers appear to be approaching the end of inventory cutting.

The Commerce Department has reported a big rise in manufacturers' incoming orders in September, with the seasonally adjusted total at 24.2 billion, a $1.6 billion gain from August and a similar amount above September, 1953. Unfilled orders rose $400 million in September, the first increase in 19 months. The better showing during the month was mainly the result of large order placements by the military, and it is doubtful that this high rate of ordering for defense will be long continued.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Aug.	3.2	2.9	3.8	1.6
Cumulative from mid-1940	Aug.	561.0	557.8	514.0	13.8
FEDERAL GROSS DEBT—$b	Oct. 26	278.7	278.8	273.3	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Oct. 20	55.5	54.7	54.0	26.1
Currency in Circulation	Oct. 27	30.0	30.1	30.3	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Aug.	60.1	63.0	46.9	16.1
344 Other Centers—$b	Aug.	95.1	95.6	90.7	29.0
PERSONAL INCOME—$b (cd2)	Aug.	285.4	285.7	286.4	102
Salaries and Wages	Aug.	196	196	201	66
Proprietors' Incomes	Aug.	48	48	47	23
Interest and Dividends	Aug.	24	24	23	10
Transfer Payments	Aug.	16	16	14	10
(INCOME FROM AGRICULTURE)	Aug.	15	15	14	3
POPULATION—m (e) (cb)	Sept.	162.9	162.7	160.1	133.8
Non-Institutional, Age 14 & Over	Sept.	116.4	116.3	115.3	101.8
Civilian Labor Force	Sept.	65.2	65.5	63.6	55.6
Armed Forces	Sept.	3.3	3.3	3.6	1.6
unemployed	Sept.	3.1	3.2	1.3	3.8
Employed	Sept.	62.1	62.3	62.3	51.8
In Agriculture	Sept.	7.5	6.9	7.3	8.0
Non-Farm	Sept.	54.6	55.3	55.0	43.2
Weekly Hours	Sept.	38.0	42.2	40.0	42.0
EMPLOYEES, Non-Farm—m (1b)	Sept.	48.5	48.0	50.2	37.5
Government	Sept.	6.7	6.5	6.6	4.8
Trade	Sept.	10.5	10.4	10.5	7.9
Factory	Sept.	12.6	12.4	14.1	11.7
Weekly Hours	Sept.	39.7	39.7	39.9	40.4
Hourly Wage (cents)	Sept.	1.81	1.79	1.79	77.3
Weekly Wage ($)	Sept.	71.86	71.06	71.42	21.33
PRICES—Wholesale (lb2)	Oct. 26	109.6	109.4	110.2	66.9
Retail (cd)	Aug.	209.1	209.7	210.1	116.2
COST OF LIVING (lb2)	Sept.	114.7	115.0	115.2	65.9
Food	Sept.	112.4	113.9	113.8	64.9
Clothing	Sept.	104.3	103.7	105.3	59.5
Rent	Sept.	128.8	128.6	126.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Aug.	14.2	14.3	14.1	4.7
Durable Goods	Aug.	4.8	4.9	4.9	1.1
Non-Durable Goods	Aug.	9.4	9.4	9.2	3.6
Dep't Store Sales (mrb)	Aug.	0.85	0.84	0.85	0.34
Consumer Credit, End Mo. (rb)	Aug.	27.9	27.8	27.8	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Sept.	24.2	22.6	22.6	14.6
Durable Goods	Sept.	11.3	10.0	9.7	7.1
Non-Durable Goods	Sept.	12.8	12.6	12.9	7.5
Shipments—$b (cd)—Total**	Sept.	23.7	23.5	24.1	8.3
Durable Goods	Sept.	11.0	11.0	11.3	4.1
Non-Durable Goods	Sept.	12.7	12.5	12.8	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Aug.	78.1	78.3	81.6	28.6
Manufacturers'	Aug.	43.9	44.2	46.9	16.4
Wholesalers'	Aug.	11.8	11.8	11.9	4.1
Retailers'	Aug.	22.5	22.4	22.8	8.1
Dept. Store Stocks (mrb)	Aug.	2.5	2.5	2.6	1.1
BUSINESS ACTIVITY—1—pc	Oct. 23	189.5	188.0	191.3	141.8
(M. W. S.)—1—np	Oct. 23	236.8	235.1	235.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 213)

COMMODITIES — Commodity prices in general, improved slightly in the week ending Tuesday, October 26, and the Bureau of Labor Statistics' comprehensive price index rose 0.2% to 109.6% of the 1947-1949 average. Farm products were up 1.3% during the week with gains for most livestock, grains, live poultry and eggs. Other components of the index were slightly lower and industrial commodities fell 0.1%.

The ranks of the **UNEMPLOYED** were reduced by 358,000 in October, with 2,741,000 people out of work early in the month, according to the latest report by the Census Bureau. The decline in joblessness was wholly the result of a reduction in the number looking for work, as students returned to school and women left the labor force. There were 62,141,000 persons **EMPLOYED** in October, virtually unchanged from September levels. Non-farm jobs rose by 285,000 last month but this was offset by a 288,000 decline in agricultural employment.

* * *

New orders for **MACHINE TOOLS** rose again in September and the index of such orders, compiled by the National Machine Tool Builders Association, stood at 179.8% of the 1945-1947 average versus 147.9% the previous month. Shipments during the month rose to 213.6% of the base period, up from 203.7% in August but far below the 328.3% shipment rate of September, 1953. Production in September fell slightly to 354.8% of the 1945-1947 average from 358.9% a month earlier. At current rates of output it would take 3.2 months to complete all orders on the books. This is unchanged from August while in September, 1953 it would have taken 7.0 months at then-current production rates to complete unfilled orders.

* * *

BUSINESS BIRTHS remain in a strong upward trend with 9,256 firms newly incorporated in September, up from 9,041 in August and 7,433 a year ago, Dun & Bradstreet has reported. New business incorporations in the first nine months of this year aggregated 85,596, a 9.6% increase from the 78,094 businesses started in the corresponding 1953 period. This year's January-September total was exceeded only in post-war 1946 when 103,638 new corporations were started in the first nine months.

* * *

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Sept.	124	124	133	93
Mining	Sept.	109	109	118	87
Durable Goods Mfr.	Sept.	135	135	152	88
Non-Durable Goods Mfr.	Sept.	116	115	117	89
CARLOADINGS—t—Total	Oct. 23	746	721	809	933
Misc. Freight	Oct. 23	370	361	394	379
Mdse. L. C. L.	Oct. 23	65	65	72	66
Grain	Oct. 23	56	50	58	43
ELEC. POWER Output (Kw.H.) m	Oct. 23	9,033	9,117	8,306	3,266
SOFT COAL, Prod. (st) m	Oct. 23	8.8	8.3	9.3	10.8
Cumulative from Jan. 1	Oct. 23	304.8	296.0	371.4	44.6
Stocks, End Mo.	Aug.	68.6	67.2	78.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Oct. 22	6.2	6.2	6.2	4.1
Gasoline Stocks	Oct. 22	150	151	141	86
Fuel Oil Stocks	Oct. 22	56	53	53	94
Heating Oil Stocks	Oct. 22	135	133	133	55
LUMBER, Prod.—(bd. ft.) m	Oct. 23	270	269	256	632
Stocks, End Mo. (bd. ft.) b	Aug.	8.9	9.0	8.0	7.9
STEEL INGOT PROD. (st) m	Sept.	6.8	6.7	8.9	7.0
Cumulative from Jan. 1	Sept.	64.2	57.4	85.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Oct. 28	220	323	289	94
Cumulative from Jan. 1	Oct. 28	11,826	11,604	12,507	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Oct. 23	226	242	214	165
Cigarettes, Domestic Sales—b	Aug.	34	29	35	17
Do., Cigars—m	Aug.	520	449	490	543
Do., Manufactured Tobacco (lbs.)m.	Aug.	18	14	18	28

PRESENT POSITION AND OUTLOOK

EXPORTS from the United States in August were valued at $1,149 million, a decline of $141 million from July and 3% under August, 1953, according to Census Bureau data. A good part of the reduction resulted from a cut in military shipments under the Mutual Security Program with such exports amounting to $200 million in August as against $268 million the previous month and $275 million a year ago. **IMPORTS** into this country amounted to $825 million in August, slightly better than July's $821 million total but under the $840 million worth imported in August, 1953.

* * *

Manufacturers received orders for 2,396 new **FREIGHT CARS** in September, down from 2,425 cars ordered in August and substantially below the orders for 3,914 cars received in September, 1953, according to a joint report by the American Railway Car Institute and the Association of American Railroads. Producers delivered 2,566 freight cars to customers in September which was ahead of the August delivery rate of 2,297 cars. With deliveries for the month above new orders, the backlog of unfilled orders dwindled to 11,993 cars at the end of September, from 13,013 a month earlier. On September 30, 1953 order backlogs amounted to 80,296 cars.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

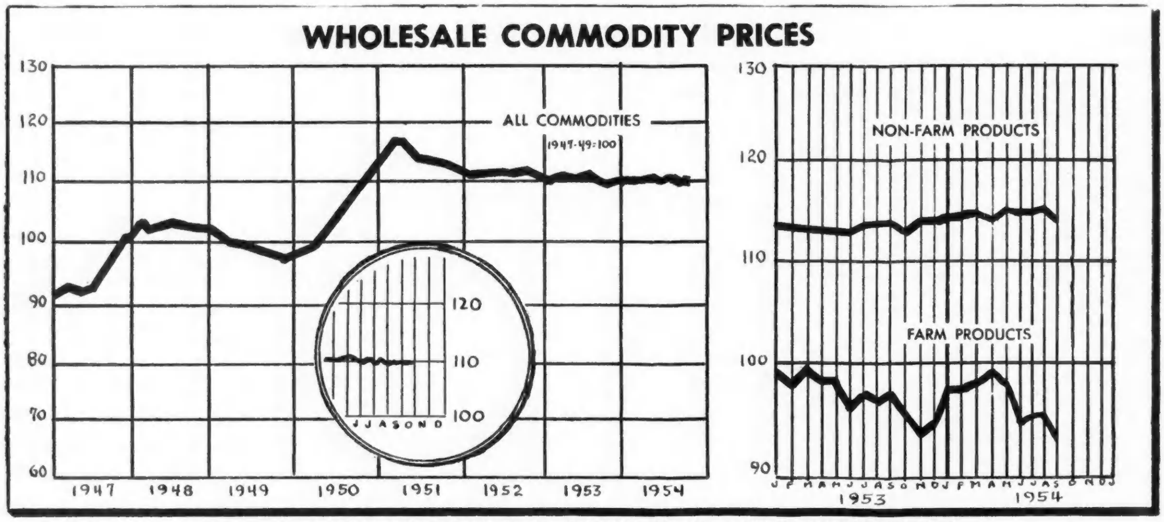
No. of Issues (1925 Cl.—100)	1954 Range High	1954 Range Low	1954 Oct. 22	1954 Oct. 29
300 COMBINED AVERAGE	245.8	192.8	244.7	240.4
4 Agricultural Implements	236.3	189.7	232.7	236.3H
10 Aircraft ('27 Cl.—100)	776.2	404.4	772.1	751.6
7 Airlines ('27 Cl.—100)	812.8	512.3	788.2	812.8H
7 Amusements	135.7	87.6	127.1	123.7
10 Automobile Accessories	278.4	241.3	278.4	269.1
10 Automobiles	43.2	38.4	42.0	40.8
3 Baking ('26 Cl.—100)	24.8	23.0	24.6	24.8H
3 Business Machines	580.3	362.3	569.8	559.2
2 Bus Lines ('26 Cl.—100)	335.7	229.2	335.7	331.0
6 Chemicals	450.5	369.3	424.7	409.9
3 Coal Mining	11.6	9.4	11.1	11.6H
4 Communications	87.0	61.0	85.8	82.3
9 Construction	92.2	64.0	92.2	91.5
7 Containers	667.1	495.4	647.5	627.8
9 Copper & Brass	198.4	140.6	192.9	187.4
2 Dairy Products	129.1	102.0	116.6	115.6
5 Department Stores	73.2	56.8	69.9	68.8
5 Drug & Toilet Articles	296.8	239.8	292.0	287.3
2 Finance Companies	566.3	394.8	566.3	542.4
2 Food Brands	246.1	194.6	244.2	238.5
2 Food Stores	151.6	130.2	143.6	139.6
3 Furnishings	68.6	61.2	65.5	64.3
4 Gold Mining	663.0	517.4	658.0	632.9

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Oct. 22	1954 Oct. 29
100 HIGH PRICED STOCKS	161.4	124.0	160.2	157.3
100 LOW PRICED STOCKS	287.0	225.0	285.2	280.6
4 Investment Trusts	131.6	99.5	127.7	127.7
3 Liquor ('27 Cl.—100)	951.5	805.8	951.5	908.6
11 Machinery	285.5	210.0	277.3	273.2
3 Mail Order	153.0	110.2	146.6	142.3
3 Meat Packing	103.7	85.7	100.3	98.6
10 Metals, Miscellaneous	311.6	215.1	291.5	258.4
4 Paper	710.6	466.0	701.3	692.1
24 Petroleum	537.3	412.1	525.2	517.1
22 Public Utilities	229.4	194.4	219.7	217.7
8 Radio & TV ('27 Cl.—100)	37.3	29.0	37.3	36.2
8 Railroad Equipment	63.4	52.8	62.4	60.9
20 Railroads	53.1	42.6	53.1	51.8
3 Realty	76.2	51.0	73.1	72.6
3 Shipbuilding	468.3	304.4	444.9	442.0
3 Soft Drinks	433.3	380.1	383.9	380.1
11 Steel & Iron	176.7	133.8	176.7	171.5
3 Sugar	53.2	47.3	50.9	50.5
2 Sulphur	747.0	564.3	741.6	747.0H
5 Textiles	127.6	101.3	123.6	119.5
3 Tires & Rubber	124.3	86.3	122.5	120.0
5 Tobacco	85.3	73.5	79.4	78.6
2 Variety Stores	303.2	274.4	291.7	280.1
16 Unclassified ('49 Cl.—100)	130.1	106.2	123.9	121.8

H—New High for 1954.

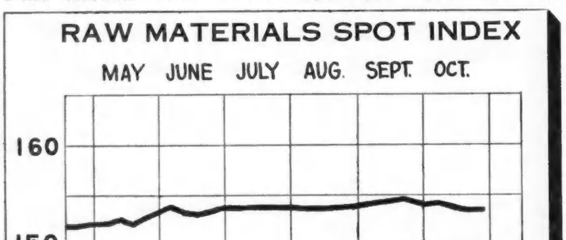
Trend of Commodities

Commodity futures were strong in the two weeks ending November 1 and the Dow-Jones Commodity Futures Index rose 4.84 points to close at 172.25. May wheat gained 2 cents during the period under review to close at 222. Wheat supplies are mountainous, with total stocks at 1,682 million bushels, or 119 million bushels above a year ago. Nevertheless, prices are firm with the Government support program accounting for the strength. On October 1 the Commodity Credit Corporation owned 754 million bushels of wheat and it appears thot close to 300 million bushels, in addition, were in the loan program. Farmers have until January 31, 1955 to place wheat in the loan and large additional placements are to be expected unless prices rise substantially in the interim. May corn gained 3⅛ cents in the two weeks ending November 1 to close at 162¼. This year's crop will probably fall short of consumption and growers will not take the commodity out of the loan at current prices. Cotton was one of the few commodities to move lower in the fortnight under review and the May option lost 19 points to close at 35.03 cents. Business in the cotton cloth market remains slow but mills are maintaining a firm price front. Cotton exports for the season to date are ahead of the corresponding 1953 period and the Agriculture Department is forecasting exports of 4.5 million bales for the entire season as against shipments of 3.8 million bales the previous season. Coffee prices rebounded sharply in the two weeks ending November 10 and the March future gained 5.75 points to close at 60.75 cents. This option has ranged from a high of 94.75 to a recent low of 54.41. Many roasters in this country have reduced stocks to critical levels and replacements are essential. It is reported that officials of Brazil, Colombia and other coffee producing countries in this hemisphere, have been meeting to discuss measures that would stabilize prices.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

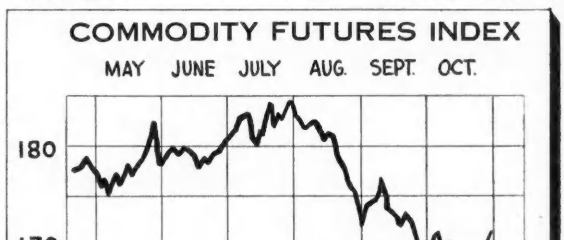
	Date Nov. 1	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.1	89.9	90.9	86.6	53.0
9 Foodstuffs	92.1	91.9	98.4	93.5	46.1
3 Raw Industrial	88.6	88.4	85.9	82.0	58.3
5 Metals	100.4	100.1	95.8	87.7	54.6
4 Textiles	85.4	87.4	87.3	87.0	56.3
4 Fats & Oils	68.7	70.5	67.4	68.6	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Continental Can Co.

"I am a widow and executor of my husband's estate and one of the largest holdings of the estate is in Continental Can Company's stock. Should I hold or sell the stock?"

S. R., Paducah, Kentucky

Continental Can is the second-largest manufacturer of metal containers, is also prominent as a producer of fiber drums and containers and the second-largest producers of bottle caps and crowns. Production is diversified through manufacture of paper containers and sealing machinery, plastic containers, etc. Earnings over a period of years have shown good stability but 1954 is expected to show a sharp increase. This good quality stock warrants further retention.

Continental Can Co.'s sales and net income were at record levels for the nine month period ending September 30, 1954. Net sales were $475,264,709 and these were 11.1% higher than those for the first nine months of 1953, when they amounted to $427,741,424. Consolidated net income after all charges totaled $17,154,345, which was 37.6% higher than the net income of $12,463,000 for the first nine months of 1953.

After deducting preferred dividends, this income was equivalent to $4.63 per common share on 3,606,738 common shares outstanding at September 30, 1954, compared with $3.45 per common share on 3,422,264 common shares outstanding September 30, 1953.

Before income taxes, earnings of $34,686,345 for the nine-month period compares with $30,997,000 for the same period of 1953. Depreciation and depletion amounted to $8,786,511 against $7,333,900 for the first nine months of 1943.

Sales of $189,728,170 and net income of $8,022,413 for the third quarter ending September 30, 1954, also were reported to be at record levels. Consolidated earnings, after providing for income taxes of $8,575,500 and preferred dividends of $150,000 were equivalent $2.15 per share for this three-month period.

Earnings for the latest nine-month period were greater than for any full calendar year in the company's history and this record has been achieved in spite of a 10% decrease this year in the size of the principle seasonal food packs.

Current quarterly dividend is 75c per share. Prospects over the near and long term continue favorable.

St. Regis Paper Co.

"As a subscriber to your Magazine, I am taking advantage of your answers to inquiries. Please submit recent earnings of St. Regis Paper Co., dividend payments and prospects over coming months." *B. N., Coronado, California*

Directors of St. Regis Paper Co. at a meeting on October 20th, increased the dividend on the common stock of the company with a declaration of a quarterly disbursement of 45c a share, payable December 1, 1954, to stockholders of record October 30th. This represents an increase of 20% over the quarterly payments of 37½c a share, which have been paid beginning with the third quarter of 1953.

Net sales for the first nine months of 1954 amounted to $149,430,676, compared with $148,548,731, in the comparable period of 1953. Net income for the period, after provision for taxes was $11,456,784, equal, after preferred dividend requirements, to $2.01 a share on the 5,467,428 shares of common stock outstanding at the end of the period. This compared with net income of $10,149,983, in the first nine months of last year, equal to $1.82 a share on the 5,314,738 shares of common stock outstanding at the end of that period. The depreciation charged to operating costs in the first nine months of 1954 was $8,319,278, compared with $6,179,812, in the like period of last year.

Net income in the third quarter of the current year after provision for taxes amounted to $3,499,393, in comparison with $3,027,775, in the third quarter of 1953.

On August 3rd last, the company sold to a group of nine insurance companies $73 million, in twenty-five year 3⅝% sinking fund debentures at par, due July 1, 1979. Proceeds have been used to redeem at par $52,590,000 in five previous debenture issues outstanding with the same insurance companies, and having maturities from 1963 sinking fund payments during that period. Throughout the life of these debentures, the company has agreed to maintain working capital at not less than $50 million.

St. Regis is a large integrated paper manufacturer; multi-well bags, craft and publications papers are produced. The outlook for the company over coming months continues favorable and retention

of the stock is recommended.

Gardner-Denver Co.

"As a long-time subscriber, I wish to receive brief review of recent earnings and also the outlook for Gardner-Denver Co." *A. J., Chicago, Ill.*

Net income of Gardner-Denver Co., a leading manufacturer of equipment for the oil, mining and construction industries, showed an improvement during the first nine months of 1954 over the corresponding period last year. This betterment occurred despite a decline in net sales, and partly reflected the expiration of the excess profits tax.

Incoming orders during the first nine months were less than for the same period of 1953. Since July, however, they have shown a tendency to improve and are now about in line with sales. This improvement is expected to continue during the remainder of 1954.

Net sales during the nine months ended September 30, 1954, amounted to $22,832,954 as compared with $24,959,884 in the corresponding period last year. Although sales for the nine months were 8.5% below a year ago, those for the third quarter were only 2.8% under the comparable period of 1953.

Before allowing for estimated taxes, earnings amounted to $3,688,969, as compared with $4,589,979 in the first nine months of 1953.

After provision for estimated Federal taxes, net income amounted to $1,959,969 in the nine months ended September 30, 1954, equal after preferred dividends to $2.87 per share on the 660,224 shares of common stock outstanding. This compares with net income of $1,908,979, or $2.81 per share on the 657,474 shares of common stock outstanding at the end of the first nine months of 1953.

Dividends at 50c quarterly have been declared this year, the same as was paid in 1953.

The company had a loss in only one year since 1928 and it paid dividends in all but two years. Prospects over coming months appear satisfactory.

Houston Oil Co. of Texas

"Please give me your opinion in regard to Houston Oil Co. of Texas. What were their recent earnings and dividend payments?"

G. H., Asbury Park, N. J.

Houston Oil Co. of Texas produces and sells crude oil and natural gas. It also has pulp and paperboard and timber interests.

Consolidated net income of Houston Oil Co. of Texas for the nine months ended September 30, 1954 was $4,307,951 as compared with $5,002,087 for the same period in 1953. Based on the number of shares of common stock outstanding at the end of September each year, this represented an income of $3.23 and $3.77 per share, respectively. The decline in net income resulted principally from reduced timber sales, severe curtailment of oil production by the Texas Railroad Commission, even though the company's capacity to produce is well above last year, and higher dry hole costs and depreciation charges in line with the company's expanded exploration and development program.

Through September 30th, there have been only 148 allowable producing days, as compared with 183 for the first nine months of last year. Despite this 19% decline completion of new wells has enabled the company to hold production at a level almost equal to last year. Average daily production for the first three-quarters of 1954 was 14,338 barrels as compared with 14,468 barrels for the same period in 1953. Gas sales were at the rate of 272,539 MCF per day, down 8% from last year's average of 296,393 MCF per day, because of reduced demand by industrial customers. Although timber sales of 21,102,285 board feet for the first nine months represented a substantial decline from the 37,377,620 board feet sold during the same period last year, demand has improved considerably during the past few months.

During the first nine months of 1954, the company participated in the drilling of 107 gross wells, of which 70 were oil, 6 gas, 20 dry holes and 11 were incomplete.

Dividends this year including extras will total $2.25 per share, the same as paid in 1953. Indicated dividend yield is less than average, but shareholders may retain the stock as new developments of recent years enhances longer-term outlook.

Thatcher Glass Mfg. Co.

"I have been a subscriber to your Magazine for the past year and plan to renew my subscription as I find your publication valuable to investors. I would appreciate receiving recent data on Thatcher Glass Mfg. Co."

S. R., Harrisburg, Pa.

In the comparative quarterly income statement issued by Thatcher Glass Mfg. Co., net earnings for the 12-month period ending September 30, 1954 showed a moderate decline as compared with the same period ending September 30, 1953.

Sales of the company's McKee consumer products was substantially improved. However, because of the comparatively cool summer, demand for Thatcher beer and beverage glass bottles declined. Sales on other Thatcher container lines were pretty well maintained. Earnings were also affected by non-recurring charges resulting from the start of Thatcher's new Saugus, California plant together with charge-offs made at the end of 1953.

On August 4th, 1954, 40,000 shares of Thatcher's authorized but unissued common stock had been sold to Kidder Peabody, New York City, for private placement. Net proceeds from this sale were added to working capital.

Net sales for the twelve months ended September 30, 1954 were $31,405,500 and net income was $1,213,964, equivalent to $1.76 per common share based on 535,303 shares outstanding. This compares with net sales for the twelve months ended September 30, 1953 of $31,683,326, net income of $1,315,553, equal to $1.95 per share.

The company is a large producer of domestic milk bottles but the business has been diversified in recent years and now approximately 75% of sales are in other containers.

Dividends in 1954 will total $1.00 per share, same paid last year. The shares are speculative, but may be retained on that basis.

Dr. Pepper Company

"I would like to receive late data on Dr. Pepper Co., soft drink maker. Any information you can supply will be appreciated." *H. J., Amarillo, Texas.*

Earnings for the nine months of 1954 of Dr. Pepper Co., Dallas soft drink firm, were 15% higher than the same period a year ago, and 9¢ a share higher than for all twelve months of 1953.

Earnings for the first three-quarters were $1.04 per share, contrasted with 91¢ for the similar period of 1953. Third quarter earnings this year were 45¢ a share, against 38¢ in the same months a year ago.

According to the president of the company, this is the 20th consecutive quarter in which sales have exceeded the same quarter

(*Please turn to page* 230)

Keeping Abreast of Industrial and Company News

One of a series of major steps taken by **American Motors Corp.**, since the merger of Nash-Kelvinator and Hudson Motor Car Co., has been the working out of a new operational program based on the establishment of three autonomous manufacturing and marketing divisions within the company. The new operating units will cover appliances, export and subsidiaries, and special products divisions, functioning in full co-ordination with the automotive and other divisions as an integral part of American Motors. Other major steps already taken include consolidation of Nash and Hudson body-building and final assembly in American Motors plants in Wisconsin; integration of the manufacture of Nash and Hudson cars on a common tooling basis, which, it is estimated, will cut tooling costs by 50%, and elimination of duplicate Nash and Hudson warehousing and sales-service facilities which is expected to result in annual savings of approximately $2 million.

General Dynamics Corp., after increasing its current quarterly dividend from 87½ cents to $1.00 a share, announced that it will call for redemption on December 17, 1954, its 112,239 shares of outstanding preferred stock at $51.25 a share, plus accrued dividend. Holders of the preferred are entitled to convert their shares into the common at the rate of 1 1/20 shares for each share of preferred at any time up to and including Monday, December 6, 1954. Holders who convert will be entitled to the $1 quarterly dividend on the common, payable January 10, next.

The National Cash Register Company has recently demonstrated an electronic computer and auxiliary tape-handling equipment at its New York office. Priced in the $125,000 to $150,000 range, this electronic data processor puts the advantages of electronic computation within the reach of many businesses and institutions. This equipment is applicable to certain areas of industrial and general accounting such as inventory control, purchasing analysis control, production control and sales analysis. It can also be used for all types of scientific applications and computations such as those involved in engineering design, geophysical surveys, ballistic analyses, aircraft design and many others.

General Mills, Inc., announced that the company has formed an Institutional Products Division. The new organization will sell a complete line of prepared baking mixes, breakfast cereals and other General Mills products. It also plans to develop other grain food products. This department is designed specifically to serve the hotel, restaurant, and institutional field. The first step will be the launching of a market development program in the Eastern United States. Spearheading this program will be special emphasis on products and services tailored for hotels, restaurants and institutions. Production facilities for this division will be at General Mills' packaged foods plant recently opened at Toledo, Ohio.

A new coagulant or flocculating agent that promises to be a new advance in the separation and filtering of water dispersed solids in industry has been announced by the **Dow Chemical Company** under the trade name of Separan 2610. Of particular interest to the mining industry, this new material may revolutionize the steps necessary to remove solids from water solutions in many industrial applications. It offers a better solution to almost all problems where a separation of material from water suspension is necessary.

The **Eastman Kodak Company** has announced the introduction of a new, high speed, roll film—Kodak Tri-X. The film is approximately twice as fast as the company's current Kodak Super-XX Film, and is intended for amateur, business and industrial, and professional use. The new film will be available in 35mm, 4 x 5 film pack, and 620 and 120 roll film sizes. Eventually the company plans to offer the film in all popular roll and pack sizes although the introduction dates for additional sizes have not yet been determined. The new Tri-X films together with the recently introduced Kodak Royal Pan Sheet incorporate the same basic emulsion characteristic achieving increased speed and sensitivity with no corresponding increase in graininess. These new emulsions represent the result of a new era in emulsion and sensitivity.

Remington Rand, Inc., which has already produced giant million dollar versions of its Univac electronic "brain" as well as smaller Univac computers which can be purchased for $65,000, is now bringing out a middle-sized model. This one is priced at $300,000 to $500,000 with monthly rentals of $4,500 to $8,000 depending on the number of units needed. Besides handling industrial punched-cards jobs involving payrolls, costs, inventory and billing, the new model also will prove a help to banks, department stores and insurance companies. Deliveries of the new "Univac File-Computer" starts next year.

A porcelain enamel that can be applied to metals as a coating only a fifth to a half the thickness of the conventional kind is claimed by Vitreco, Inc., a research concern owned jointly by **Poor & Co. and Youngstown Sheet & Tube Co.** The new "Porcenell" enamel cuts costs, because it can be fired at a lower firing temperature—1,000 to 1,200 degrees Fahrenheit compared with 1,500 to 1,800 for other porcelain enamels—so it needs less expensive furnaces and

because it can be bonded to sheet steel of 24 and 26 gauge without warping the metal, compared with a minimum gauge of about 18 for conventional enamel. Application costs are competitive with hot-dip galvanizing. The product will be sold as a powder, to be mixed with water and sprayed on, in 100 pound bags at prices ranging from $40 to $60.

Phillips Petroleum Co. announced it has acquired all the capital stock of Curry Chemical Co., Inc., and 14 affiliated companies. The Curry companies, headquartered at Scottsbluff, Nebr., manufacture and distribute fertilizer materials. Besides the home office and a fertilizer mixing plant at Scottsbluff, the properties consist of warehouses and about 100 agricultural ammonia distributing plants located mainly in Nebraska, with others in Wyoming, Montana, South Dakota and Kansas. Most of the distributing plants are operated by local dealers.

Scott Paper Co. and **Hollingsworth & Whitney Co.** stockholders have approved a merger of the two firms. Scott has substantial expansion plans for its new holdings, particularly for Hollingsworth's pulp and paper mill at Mobile, Ala. Besides manufacturing plants acquired by Scott, Hollingsworth also brings to the merger substantial timber lands in the Mobile area and approximately a million acres of forest lands in Maine and eastern Canada.

Aluminum Company Of America plans to construct a $10 million dam and hydroelectric power generating facilities on the Little Tennessee River. Under an agreement with the Tennessee Valley Authority, electric power from the new plant will be taken into the T.V.A. system and subsequently returned to the firm for production and fabrication of aluminum at the Alco (Tenn.) Works. The dam will be operated at a point known as the Chilhowee site in Blount and Monroe Counties, Tenn., and will have a maximum height of 82 feet and a length of about 1,400 feet. It will create a reservoir about nine miles long, extending to Alcoa's present Calderwood powerhouse. The new powerhouse, which will be constructed at the dam site, will include three generating units with a total capacity of 70,000 horsepower.

Blaw-Knox Company, one of the nation's larger suppliers of road building machinery, is confident there will be an early and substantial increase in highway construction, and the Pittsburgh firm has moved to be ready for it. The company has announced that it will build a modern plant on a 40 acre tract located at Mattoon, Ill., in which to manufacture its full line of road building equipment. The Mattoon plant site was selected because of its transport facilities and economic access to market areas. It is located nearly equidistant from St. Louis and Chicago.

A new, brighter, seal-beam automobile headlamp, designed to increase visibility in clear weather, but especially in rain, snow, fog, and dust was introduced recently by the **General Electric Company.** As a result of this development, described as the most important in automotive headlighting since the all-glass, sealed-beam headlamp was introduced in 1939, driving at night and in poor-visibility conditions is expected to be both safer and easier for America's motorists. Now in production, the new G-E lamps have been named "All-Weather" headlamps. They will be available to motorists for replacement on existing cars in 39 states, beginning in December. Improved lamps will be standard equipment on new cars after the other nine states have made necessary law changes. All state approvals are expected to have been made by mid-1955.

One of the largest, free-standing tanks ever built has been completed by the **Pittsburgh Plate Glass Company.** This tank, constructed for the Detroit Muncipal Aquarium is 9 feet long, 4 feet deep, 2 feet wide and holds 540 gallons of water. It is made of heat-tempered glass (Herculite) for added strength and durability held securely in position with brass rods. Techniques used in fabricating this large tank were developed through production of smaller size tanks for industrial uses. These have been made using Carrara structural glass, Herculite heat-tempered glass, or heavy plate glass, depending upon ultimate use.

Tyzine, a chemically unique nasal decongestant, will be marketed soon by **Chas. Pfizer & Co., Inc.** Highly effective without producing untoward side effects, Tyzine, a product of Pfizer research, gave excellent decongestive response in 97.1% of all patients treated in a recent study. Relief from nasal congestion, with the use of Tyzine usually occurs within a very few minutes and has a duration of from three to four hours. Tasteless, odorless and free from any properties which ordinarily cause systemic reaction, Tyzine in the recommended dosage may be safely administered to all age groups. Experience has shown that the amber colored fluid produces no rebound congestion as is common with most other nasal decongestants. In the majority of cases already treated with Tyzine, none reported any irritation or dryness of the nasal passages after receiving the drug.

Merck & Co.'s Sharp & Dohme division next year will move its biological processing operations now carried on at Glenolden, Pa., to the firm's West Point, Pa., plant. About 200 employees now at Glenolden will transfer to West Point when approximately 74,000 square feet of floor space have been renovated for biological production. Products from the Glenolden laboratories have included anti-pneumococcic serum; antivenim, a snake bite serum; black widow spider antigen; "Vacagen" oral cold vaccine tablets, and "Lyovac" normal human blood plasma.

The **Union Pacific Railroad** has demonstrated an electronic device developed for directing guided missiles that now directs freight cars. At its retarder yard at North Platte, Neb., the road presented a system that switches, and controls the coupling speeds of freight cars automatically. Developed jointly by the railroad and Reeves Instrument Corporation, this "electronic wizard" is the first full-train application of automatic switching and car retarding control in any railroad freight classification yard. It is considered by railroad officers as a major advancement in push-button railroading. Called the "Electronic Yardmaster," the system is expected to virtually eliminate impact damage to boxcar loading resulting from errors in human control of freight car handling in retarder yards.

What Third Quarter Earnings Reveal

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for example, depends on the volume of sales of new cars during the remaining weeks of the year. There has, indeed, been a quickening of manufacturing operations generally but this appears thus far rather of a seasonal variety than the beginnings of a genuine upsurge.

It must be borne in mind that quarterly earnings this year, especially those of the second and third quarters made a favorable showing in comparison with the corresponding periods of last year, principally due to the special beneficial effects of the end of excess profits tax liability. Since these effects have already been discounted in this year's earnings, they will no longer be operative in next year's reports. This means that it will be more difficult in 1955 for companies to make a favorable comparison with 1954 unless their sales and actual operating margins increase, without benefit of tax changes.

In the following, is presented a brief analysis of some of the more interesting company reports on third quarter earnings:

Colgate-Palmolive Co. Some rather unusual quarterly fluctuations have taken place in this company's earnings. Third quarter earnings jumped to $1.70 a share, compared with 82 cents a share in the preceding period, but the latter, in turn compared with $1.38 and $1.91 a share respectively in the first quarter of the year and the final quarter of 1953. Sales changes were not so pronounced but showed a rather regular upward progression from the December quarter of last year, when they were $58 million, rising to $71.6 million in the quarter just ended. Of interest is the fact that the company has increased its net profit margin substantially, as compared with the June period. Largely accounting for the rise in profits both for the September quarter and for the first nine months of the year was the increase in dividends from foreign subsidiaries. As compared with the September quarter of last year, foreign dividends increased from $794,000 to $1.3 million. For the nine months, they increased from $2.5 million to $3.6 million. Net foreign earnings would have been higher but for the devaluation of Mexico's currency. Net earnings of foreign subsidiaries were $8.1 million compared with $6.4 million in the corresponding nine months of 1953 but the $1.2 million adjustment caused by the Mexican devaluation brought foreign earnings down to $6.9 million. Foreign operations are increasingly important to Colgate Palmolive but under normal accounting practice, earnings are understated as the company reports as earnings only the actual share in dividends it receives from operations abroad. Growth of detergents is a marked feature of the company's sales and this growth should be uninterrupted with the increase in population at home and the increase in demand from foreign sources. Total earnings for the year should be close to $6 a share, compared with the $5.02 a share in 1953.

Armstrong Cork Co. For the first nine months, Armstrong Cork showed a $4.5 million decline in sales, as compared with the corresponding period of 1953. Sales were $163.6 million compared with $168.1 million Despite the decline, net profits were $5.70 a share, a substantial gain over the $4.98 a share reported for the first nine months of last year. This is accounted for principally by the fact that the company was no longer liable for the excess profit tax. In 1953, it paid $1.2 million on EPT, equivalent to 86 cents a share. The moderate gain in sales indicates a somewhat improved position for the industry and this seems likely to continue over into the early part of next year. Aided by the lapse of EPT, the company's net profit margin has increased substantially, rising from 3% in the final quarter of 1953 to 6.1% in the third quarter of 1954. Actually, the company's showing thus far this year makes an even more favorable comparison with the same period last year, when it is considered that non-recurring profit, equivalent to 43 cents a share was added to 1953 profits. Based on the third quarter showing and the year's general trend to-date, the company should earn in the neighborhood of $7.50 a share minimum, compared with $5.84 a share in 1953.

Johns-Manville Corp. Earnings on a quarterly basis have fluctuated rather sharply this year, ranging from 82 cents a share in the March quarter to $1.71 a share in the June quarter. September earnings, at $1.47 a share were lower than in the second quarter but higher than the $1.42 a share reported for the September quarter of 1953. Increase in cost of operations (raw materials, wages and depreciation, etc.) rose but were offset by a drop in taxes. For the nine months, taxes declined about $4 million compared with a rise in costs of about $3 million. Sales for the nine months were about $4.2 million lower, owing to the low sales for the March period. In the September quarter, however, sales increased by $3 million after a gain of almost $13 million in the June quarter. The company accounts for the gain in sales in the third quarter through a pickup in demand for industrial products and fibres, and to a high plateau of demand for building materials. The company's earnings have been in somewhat of a slump since 1952 but it would appear that the third quarter will register the commencement of a reversal in trend. For the nine months this year, earnings were $4 a share compared with $5 a share for the corresponding period last year. For the full year, it is estimated the company will earn in the neighborhood of $5.50 a share, slightly under the $5.69 a share reported in 1953.

Lehigh Portland Cement Co. This company's statement clearly indicates the exceptionally strong position of the cement industry. Sales this year have increased steadily, from $10.1 million in the first quarter to $19.1 million in the third quarter. Earnings have kept pace, with $1.48 a share in the September quarter compared with 56 cents a share in the first quarter of this year. At the same time, the net profit margin on increased sales had also increased, averaging about 14.6% in the September quarter against 10.1% in the March period. The profit showing was also aided by the end of liability for excess profits tax which cost the company about 30 cents a share in 1953. Extremely heavy charges for depreciation are indicated for this year, following the pattern of 1953 when they amounted to $5.6 million against $3.5 million in 1952. According to the president, in fur-

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What Third Quarter Earnings Reveal

(*Continued from page* 221)

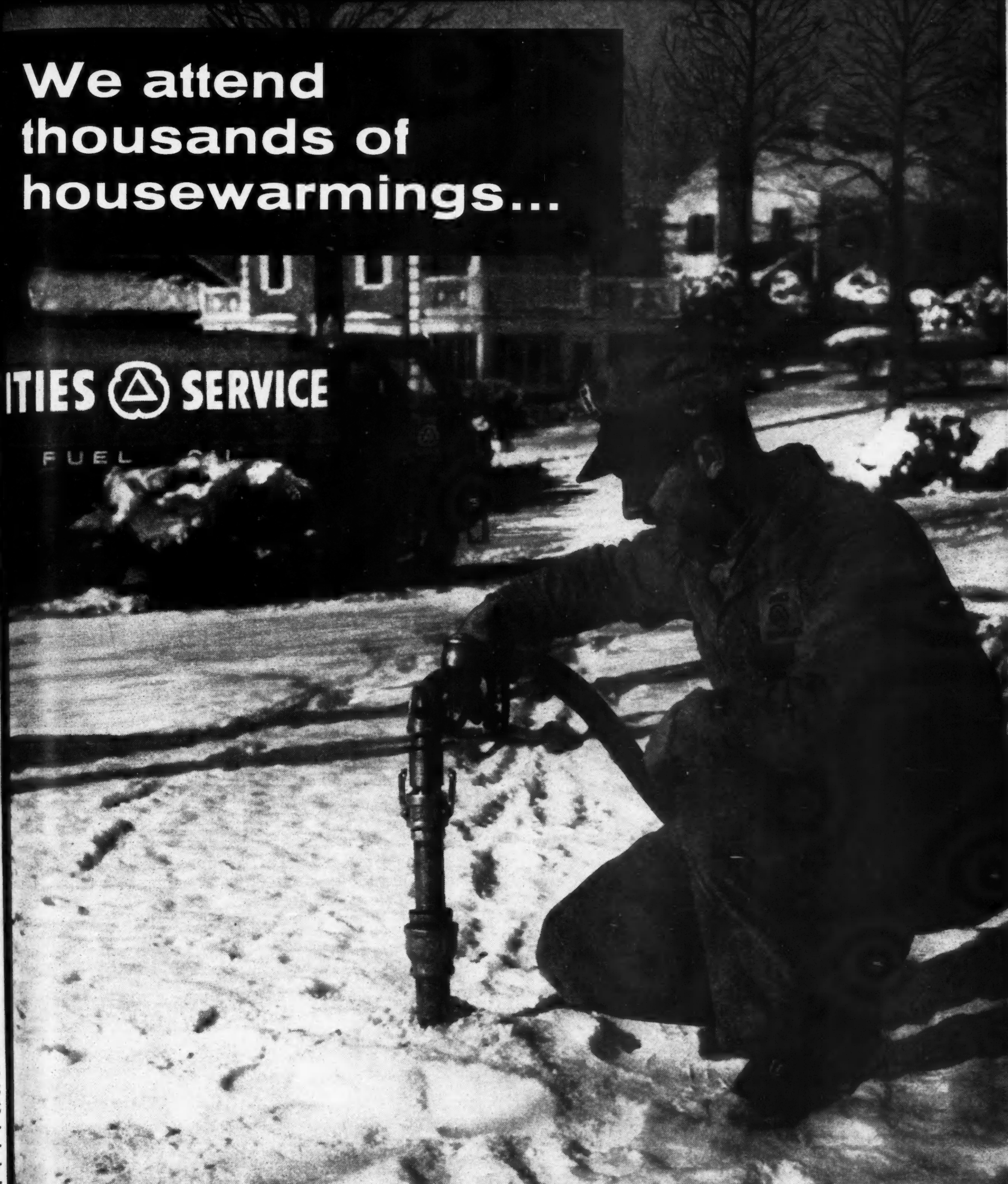
therance of its expansion program the company will be required to set aside additional large sums for replacements and additions. Sales from road-building alone should keep the company, as well as other large cement concerns, well occupied for some years. The company should earn close to $4 a share this year, compared with $3.32 last year. The trend definitely continues favorable into early 1955, at least.

Diamond Alkali Co. Third quarter earnings were rather sharply off, amounting to 48 cents a share, compared with 73 cents a share in the second quarter and 53 cents a share in the first quarter. Though the company has made no specific statement in its third quarter report concerning depreciation, amortization (including rapid amortization) and special start-up expenses in connection with new facilities, it is probable that these charges were high during the period. Sales at $23.9 million held comparatively well, being less than a million under the June quarter and were about $1.8 million higher than in the initial quarter of the year. Presumably, expenses incidental to the purchase of the government-owned chlorine plant at Muscle Shoals will raise special charges in the third quarter as well so that the stated earnings for the year may be held to approximately those of 1953, when $2.39 a share was earned, despite the satisfactory sales position. However, earnings should benefit early next year when incidental expenses will have diminished. While the insecticide division has experienced some decline in sales, newer divisions, particularly those engaged in production of polyvinyl chloride and perchlorethylene, face increasing demand from a broad base of consumers, thus enhancing the longer-range prospects for this growing company.

Owens-Corning Fiberglas Corp. A steady gain in sales was recorded during the first three quarters, rising from $30.7 million in the March period to $36.1 million in the September quarter. At the same time, net profit margin increased from 5.5% to 6.3%, resulting in an increase in earnings from 54 cents a share in the initial quarter to 73 cents a share in the third quarter. For the nine months, earnings were $1.89 a share, compared with $1.47 a share in the corresponding period of 1953. Approximately, $1.1 million were paid in excess profits taxes in 1953, equivalent to about 35 cents a share on the common. Consequently, part of this year's increase in earnings may be attributed to savings from EPT, the rest from increasingly efficient operations. The company has incurred extremely heavy charges for depreciation, including accelerated amortization, the total being $5.2 million in 1953, of which $1.6 million was for accelerated amortization. This accounting factor will undoubtedly play a part in 1955 earnings. It is estimated that approximately $5 million this year will be put into new and improved capital facilities, a sum commensurate with the company's over-all expansion program. An interesting feature is the company's program for increasing sales of fiberglas products in the home. Judged by the increase in sales during the first nine months of the year, it is likely that 1954 will break all records, exceeding even the peak sales of $131.7 million in 1953. Both fourth quarter and first quarter 1955 earnings prospects are favorable, and earnings for 1954 should be about $2.50 a share, against $1.71 in 1953.

Radio Corporation of America. While sales for the third quarter were about 8% higher than for the corresponding period last year, they were about 1% less than in the second quarter. Total sales for the nine months' period were $660 million compared with $609 million. The profit margin at 3.8% was slightly lower than for either of the two preceding quarters; and undoubtedly has been held back because of the prominent position of defense business in the company's total output. This type of business normally carries an exceedingly low margin of profit. For the nine months, Radio Corp. earned $1.80 a share compared with $1.62 a share for the corresponding period of 1953, the increase being accounted for largely by the 8% increase in sales for the period. It is anticipated that sales in the final quarter will show an increase and that the TV division will benefit from the general increase in demand for sets which seems to be making its appearance now. Quantity production for color TV sets is expected in 1955. Depreciation charges are rising, having shown an increase of about $3 million in 1953. Based on last year, 1954's charges for depreciation (including rapid amortization) should exceed the $15 million charged off last year. For the full year, about $2.50 a share in earnings is expected against $2.27 a share in 1953.

General Motors Corp. This company's report for both the third quarter of 1954 and the first nine months clearly indicates the impressive sustaining effect on earnings of the lapse of EPT in a period of lower sales. For the third quarter, the company showed net income of $159 million, or $1.79 a share, against net income of $236 million, or $2.67 a share in the preceding period. At the same time, sales declined by approximately $500 million, on a comparison of the two periods. Taxes, however, declined by nearly $100 million, thus accounting for the fact that lower sales did not have a proportionately severe effect upon earnings. For the nine months, the company showed $6.58 a share, compared with $5.08 a share in the corresponding period last year. This was against a background of a $708 million decline in sales to $7.2 billion against $7.9 billion so that the gain in earnings is quite extraordinary, under the circumstances. The answer, of course, is largely found in the decline in federal taxes of around $400 million. Taxes for the nine months period of 1954 were $613 million against slightly over $1 billion for the corresponding in the previous year. In 1953, the company paid $192 million in excess profits taxes. This is equivalent to about $2.20 a share. It can be seen that the EPT tax savings for the first nine months of 1954 was substantial and that this was the important factor in relatively maintaining earnings. For the fourth quarter, the sales outlook appears promising. Assuming this to be correct, it is likely that the company will earn in the neighborhood of $8.25 a share for the full year. With the company increasing its share of the automobile business, it is probable that first quarter 1955 earnings will also be satisfactory. —END



Homeowners and plant managers bought more than 1,103,000,000 gallons of our fuel oil last year—more than ever before.

CITIES SERVICE

A Growth Company

An Expert Appraisal of the Rail Outlook

(*Continued from page* 202)

twelve months in view of the sharp drop in earnings and payment of 90% of last year's income tax liabilities in the first half year: (millions)

	7/31/54	7/31/53
Current Assets	$3,148	$3,589
Incl. Cash	1,509	1.807
Current Liabilities	1,784	2,113
Incl. Tax Liabilities	344	631
Net Working Capital	$1,364	$1,476
Current Ratio	1.76-1	1.70-1
Fixed & Contingent Interest Charges*	$ 450	$ 454
Net Working Capital X Fixed & Contingent Interest Charges	3.03	3.25

* For twelve months ended July 31, 1954 and 1953.

It is significant that, despite slumping earnings for almost a year, net working capital on last July 31 was still equal to over three years' fixed and contingent charges, an excellent ratio. The effect of amortization tax saving is illustrated by an effective income tax rate of 33% in the first eight months of 1954 as compared with 43% in the comparable months a year ago. A 46% drop in total income tax accruals on July 31 to $344 million from $631 million a year ago indicates a further lowering of taxes in the last five months of 1954. As regards capital expenditures for road and equipment, the Interstate Commerce Commission has recently estimated these outlays at $331 million in the second half of 1954, or 46% below the $616 million of a year ago. (In the first half, capital expenditures of $475 million ran 26% under the $644 million of the comparable 1953 period.)

It seems fitting to conclude this survey of the railroad scene with a brief discussion of diversion of railroad freight traffic to the trucks and inland water carriers and of railroad passenger traffic to the buses and air lines. The Interstate Commerce Commission estimates that the railroad's share of intercity freight traffic dropped from 55% in 1952 to 51.7% in 1953 while the share of the motor vehicles rose from 16.2% to 17.4% and the share of the inland waterways from 14.9% to 16.9%. It has been estimated that the railroads could capture $2 billion of revenues (22% of 1953 freight revenues of Class I roads) that has been lost to the trucks. In this connection, piggy-back operations, which still appear to be having growing pains, may well play an important role in attempting to take traffic away from the highways and put it back on the rails.

The major Eastern railroads (Baltimore & Ohio; Erie; Delaware, Lackawanna & Western; New York, Chicago & St. Louis; Pennsylvania and Wabash) appear to have had mixed results so far, but that is to be expected in the formative stage of such a revolutionary development in the transportation field. In our opinion, the recent decision of the new management of the New York Central to postpone its proposed entry into the piggy-back field pending an extensive review of the project was dictated primarily by reasons of economy.

An important step in the attempted recovery of passenger traffic from the buses and air lines is the ordering by several important railroads of light weight, Talgo-type equipment. The New Haven and New York York Central have already ordered this equipment and the Pennsylvania, Santa Fe, Baltimore & Ohio and Chesapeake & Ohio are other members of the same group. According to reports, A.C.F. Industries and General Motors are prospective manufacturers of light weight equipment, which is said to have 1/4 the cost per seat of conventional passenger cars. The Talgo train of A.C.F. Industries has already demonstrated its ability to exceed a speed of 110 miles an hour on straight track and 90 miles around curves.

In summary, the nation's railroads are apparently emerging from the trying times of the last twelve months and better days seem to lie ahead. Despite the slump in earnings, this year has been a rewarding one for the discriminating railroad investor, who has concentrated on the better grade issues of the southern and western carriers, which should continue to do well. However, we feel that important capital appreciation among the more speculative issues, particularly those of the Eastern roads, must wait upon more substantial indications of a recovery in steel, coal and other heavy industries.

—END

Stocks With Above Average Yield

(*Continued from page* 208)

have been in a steady upward trend for the last seven years with net per share of common being equal to $2.22 for 1953, and at approximately $2.25 for the current year according to conservative estimate. These earnings have been diluted to an appreciable extent by issuance of additional securities for financing expansion of generating and other facilities to enable the company to keep pace with the growing electric demand in its territory. The most recent addition to its properties is a third generator unit costing $62 million which went into operation last September, increasing system capacity to 1,057,000 kw., the benefits of which, together with increased operating efficiency from other new equipment should be reflected in higher earnings. The common stock, currently selling around 32, and yielding 5.3%, is an attractive issue for income stability.

General Telephone Corp., common, a sound investment stock, is also worth holding for its possible long-term appreciation through continued growth of its telephone system which now ranks as the largest independent in the country. The company, with a record of uninterrupted dividend payments over the last 18 years, is currently maintaining payments at the rate of $1.60 a share on its common stock, a modest distribution, considering 1953 net earnings of $2.65 a share and indicated 1954 net of $2.70 a share. This estimate may prove conservative in view of the anticipated improvement through the final quarter of 1954, and the increase in toll business and higher rates granted the company, effective last August, as affecting its operations in California and Pennsylvania. Growth has been comparatively rapid in recent years through expansion of telephone lines and acquisition of new properties, while operating efficiency has been steadily increased through mechanization, especially in greater use of automatic dialing. Much of this growth and increased mechanization has been financed through issuance of additional shares which, naturally, has the temporary effect of diluting per share earnings, but which, nevertheless is providing a solid base for further growth and greater earning power. This is an outlook that warrants holding the shares for

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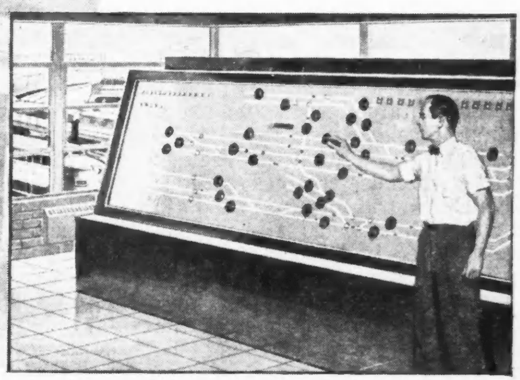
RAILROADS ARE DOING REMARKABLE THINGS

with IT&T signalling and communications systems for greater operating simplicity, safety, efficiency and economy.



A vital new development is the IT&T Sequence Switch Interlocking System for railroad signalling. Used by the Rock Island at Gresham, Ill., one of the most complex network of rail lines in the world, one towerman controls the whole area merely by turning knobs on his control panel. This system, available now through Federal Telephone and Radio Company, a division of IT&T, provides quick automatic dependable route-setting—handling greater traffic faster and with full protection against conflicting train movements.

With Federal's mobile train radio systems, compact transmitters and receivers in engines, cabooses, wayside stations, towers, give railroads instant communications with moving trains. Stations, engineers, conductors, towermen, yardmen can all be in touch with each other at any time to pass information and instructions. Passenger-car public address and entertainment systems are also provided by Federal Telephone and Radio Company.

Closed-circuit TV systems, manufactured by Farnsworth Electronics Company, division of IT&T, use television to provide eyes for yard operators, inspectors, clerks. With cameras located at important yard points a clear visual picture of conditions is transmitted to tower or station receivers.

PIONEERS in the development of electrical and electronic telecommunication systems, IT&T and its divisions contribute every day to progress in our railroads and other industries. A wide range of products for industry, business and the home benefit from the skill, resources and facilities that have made IT&T a great American trademark.

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Stocks With Above Average Yield

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long-term growth prospects as well as for the present good yield of 5.0% at the present price of around 32 for the shares.

Guaranty Trust Co., has paid dividends on its capital stock for the last 62 years without interruption. This is a period that encompasses two major wars, several panics and depressions, including that which began in 1929, and was prolonged for several years thereafter. At the very depths of that period, dividends on the stock then outstanding were maintained on a $20 a share annual basis. Since then stockholders, in addition to regular cash dividends, received a stock dividend in the form of one share for each nine owned, and in 1953 participated in a stock split that gave them five shares in place of each one share held. Guaranty Trust, one of the largest of the nation's banks, and among the foremost from the standpoint of volume of corporate and personal trust and custody business, has been a consistently profitable banking institution for several generations. Its relatively large capital funds have enabled it to follow a liberal policy in regards to dividend payout, it having increased the annual rate in the last four years from $2.40 a share to $3.55 a share in 1954, with the most recent quarterly disbursements being increased to 80 cents from 75 cents paid previously which was augmented by a payment of 50 cents extra. Its shares, an attractive media for conservative investment funds, are traded in on the unlisted market, as are practically all N. Y. City bank stocks, and are currently selling around 73, at which price level, the yield is 5.08%.

National Biscuit Co., common stock has long been considered a high-grade defensive stock, possessing a considerable degree of dividend and market stability. This status has been achieved over the last 55 years during which the company has paid dividends regularly, and in the last quarter of a century at never less than $1.20 a share on the present $10 par value common stock. For the last seven years, including 1954, the company has maintained its rate of distribution at $2.00 a share, which at current price of the stock around 40¼ returns a yield of 5.0%. Although dividend requirements have been amply covered, estimated 1954 net income being placed at $2.80 a share, as compared with actual net of $2.65 a share in 1953, it is not expected that there will be any immediate revision upward of the current $2.00 annual dividend payment. The company continues to utilize substantial amounts of retained earnings to further strengthen its strong position which it has held for a number of years in the cracker, cookie and other baked products field through constructing new and more efficient plants, improving present and developing new products. Its 1954 schedule calls for expenditures of approximately $20 million for capital additions, all of which will be financed from the company's accumulated funds. At the same time, the company continues to maintain its usually strong financial position, working capital at the close of last year, being in excess of $51 million.

Ohio Edison Company common stock, with a 24 year record of continuing dividend payments, long ago reached a high ranking as an investment issue. This status has been materially strengthened by greatly increased earning power of the company in the 10 years since 1945, during which net earnings available for the common stock have increased from $1.32 a share to a record high of $3.15 a share in 1953, and a 1954 indicated net of $3.20 a share. In the same period dividends on the common have more than doubled, rising from $1.00 a share paid in the earlier year to $2.20 a share as the 1954 annual rate, duplicating the amount paid in 1953. Ohio Edison derives its strength as an electric utility through its operations in a well populated and highly industrialized area which encompasses such important manufacturing centers as Akron, Youngstown, Sandusky, Marion and a number of other Ohio cities and towns located in what is called the "center of industrial America." Its good quality common stock, currently selling around 41 to yield 5.3% can be purchased for stable income that eventually should be enhanced by a higher dividend rate.

Southern Railway Co., common stock has been growing in investment status for the past decade. The road has paid dividends during the last 12 years, at a progressively higher rate or from $1.00 a share in 1945, adjusted for the 2-for-1 split in 1953, to $2.50 a share last year, and $3.50 in the current year. Contributing to the enhancement of the stock's standing have been the tremendous industrial growth of the road's territory and the broad improvement program, including complete dieselization, modernized yards, and mechanized roadway maintenance. Since 1946 to the end of 1953, this has involved expenditures of $216 million which created no increase in the capital stock structure, while funded debt was brought down by approximately $6 million, and equipment trust obligations increased by only about $46 million. The resulting increased efficiency in operations enabled the road to show for 1953 one of the lowest transportation ratios, at 30.7%, of all Class I carriers, with net income for the common stock rising to a peak of $11.63 a share. While this showing will not likely be duplicated for the current year, indicated net of $8.25 a share will again provide more than twice needed coverage for the $3.50 annual dividend which yields 5.8% on the current price of 60 for the shares. The attractiveness of the issue for income is enhanced by the long-term prospects of increased earning power with the continued industrial development of the road's territory.

Sterling Drug Co. This strongly ensconced company in the proprietary and ethical drug fields is the leading manufacturer of household remedies and pharmaceutical specialties. Together with its predecessor, the company has weaved a dividend record that goes back over the last 52 years, and is currently paying dividends at the annual rate of $2.00 a share, which returns a yield of 4.8% on the present market price of the stock around 41½. This yield, however, would be increased through the possible declaration of a year-end extra in view of the indicated good earnings for 1954 of around $3.25 a share, as com-

(*Please turn to page* 228)

Crown really started something with "SPRA-TAINER"

In developing SPRA-TAINER, the original lightweight pressure can, CROWN pioneered an idea which has had far reaching effects on the packaging of many familiar products. It has also created markets for new and hitherto unheard-of products.

The pressure can dispenses its contents in the form of spray or foam. First used for the spraying of insecticides, imaginative manufacturers soon applied this idea to other products . . . dessert toppings, cosmetics, lubricants, touch-up paints, deodorants, shaving creams and many more. And SPRA-TAINER is the choice of most of the leading brands. Its exclusive "Modern Design" and "No Top Seam—No Side Seam" construction have kept SPRA-TAINER in the lead since it started making packaging history. Additional manufacturing facilities are now being provided to take care of the ever increasing demand.

Development of SPRA-TAINER by the Company's Crown Can Division and its pioneering of the pressure can idea is one more example of the way CROWN contributes to the better packaging of a vast array of products used in the households of the nation.

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CROWN

General Offices at Baltimore • Plants at: Baltimore, Philadelphia, St. Louis, Detroit, Chicago, Orlando, San Francisco, Los Angeles

Stocks With Above Average Yields

(*Continued from page* 226)

pared with $2.91 for last year. While the stock is recommended for purchase solely for dependable income, it has some attraction from the standpoint of longer-term growth through the company's policy of strengthening its trade position by acquisition of proprietary and ethical drug firms and research aimed at improving established products and developing new products, one of the fruits of which has the discovery and development of a process and apparatus for the elimination of stream pollution on which further research is being conducted.

—END

For Profit and Income

(*Continued from page* 211)

stock on an interim basis. Those "in the know" about Chrysler, General Motors and Ford cars think Chrysler has little chance of cutting into General Motors; and that, if it cuts into Ford, it probably will not be by a great deal. Still the situation is in flux and no one should write Chrysler off.

Contrast

Electric Storage Battery, an old company with a once good name, has gone down, down, down. Under increasingly sharp competition in its industry, earnings fell from a postwar peak of $6.87 a share in 1947 (the older record was $8.77 as far back as 1929) to $1.87 last year. The company probably will fare worse this year, having had a loss in the first half. The stock's all-time high was 104½ in 1929. Its postwar high was 57⅝ in 1947. At present it is at 25. In the same line, but selling principally on a cost-plus basis to mail-order concerns, auto-accessory store chains and other big distributors, Gould-National Batteries has "gone to town," despite competitive pressure on margins. Net in recent years has ranged between $3.32 and $4.69 a share, and was $3.76 last year. A gain seems likely for the current fiscal year, ending next April 30. Dividends are on a well-covered $1.70 basis. The stock recently reached an all-time high of 39½, and, in an easy market, is currently at 38¾. Although we are generally reluctant to sell a depressed stock and buy an advanced one, there is little to be said for holding Electric Storage Battery and a switch to Gould-National might well work out profitably on a longer-term basis.

Comparison

Under the present aggressive management, which is spending about $5,000,000 a year on research and new product development, Colgate-Palmolive is faring well. Over a third of its sales are in foreign markets, against around 10% for the larger, and directly competitive, Procter & Gamble. So Colgate is gaining relatively more from high or rising business activity in many foreign countries. P. & G. had consolidated net of $5.42 a share in the fiscal year ended June 30. At 92½, its stock is priced at over 17 times earnings, yielding a little over 3.5% on an indicated $3.25 dividend basis. Its book value is a little over $35 a share. Colgate probably will report around $5.25 to $5.50 a share for 1954, including dividends from foreign subsidiaries, but excluding its share of their undistributed earnings. On a consolidated basis, like that of Procter & Gamble, net would be at least $8 a share. At 55, the stock is priced around 10 times the earnings likely to be reported, and at less than 7 times consolidated profits. The book value is about $42 a share. Dividends are on a $2 cash basis, yielding over 3.6%; and 5% in stock has been paid in each of the last four years. If this policy continues, the 5% year-end stock dividend would be worth $2.75 a share at present price of the issue, for total return of $4.75 ($2.75 tax free) or a gross yield of over 8%. If a stock dividend is not paid, probably the management will either raise the cash rate to $2.50 or so, or pay a cash year-end extra of perhaps 50 to 75 cents, since finances are strong and liquid—relatively more so than those of Procter & Gamble. Of the two issues, Colgate is the more attractively priced.

Speculation

The upsurge in the post-election market has stimulated a great deal of unwise speculation among late comers who have been buying the wrong stocks.

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Aristocrats of the Market

(*Continued from page* 209)

the basis of market price, may be the ruling "queen" of the aristocrats, but its leadership is disputed by Coca Cola International. Although the most recent bid for the latter was a mere $840 a share—less than one-tenth of the recent bid for Christiana—it can lay claim to being even more elite inasmuch as no one holding the stock was offering any for sale. This is not an unusual situation in that issue. Several times within the last quarter of a century there have been two or more consecutive years in which not a single share of Coca Cola International common stock changed hands on the New York Stock Exchange. The most recent sale was made on August 5, of this year, when a transaction took place at $934 a share. These periods of market inactivity are not difficult to understand.

In contrast to General Motors, for instance, which has 87,494,000 outstanding shares of common stock, or American Telephone & Telegraph's more than 42 million shares of outstanding capital stock, owned by hundreds of thousands of individuals in all walks of life, as well as by pension funds, colleges and other institutions, Coca Cola International has only 161,088 shares outstanding. The entire issue is concentrated in the hands of approximately 789 stockholders, most of whom appear to be willing to hold on to their shares because of the dependable income in the way of dividends. The yield, however, is not extraordinary. So far this year, the company has paid three quarterly dividends totaling $22.20 on each share. This is at an indicated rate of $29.60 annually, but this is likely to be sweetened by a year-end extra which will probably bring the total payout to equal the $36.85 a share distributed in 1953. Assuming this to be so, total 1954 dividends would show a return on the stock at $834 a share of approximately 4%. The big attraction in the stock is its substantial equity represented by the corporations holdings of, according to its latest balance sheet, 1,288,704 common shares of Coca Cola Co., with a current market value of approximately $140,468,000. This alone is

(*Please turn to page* 236)

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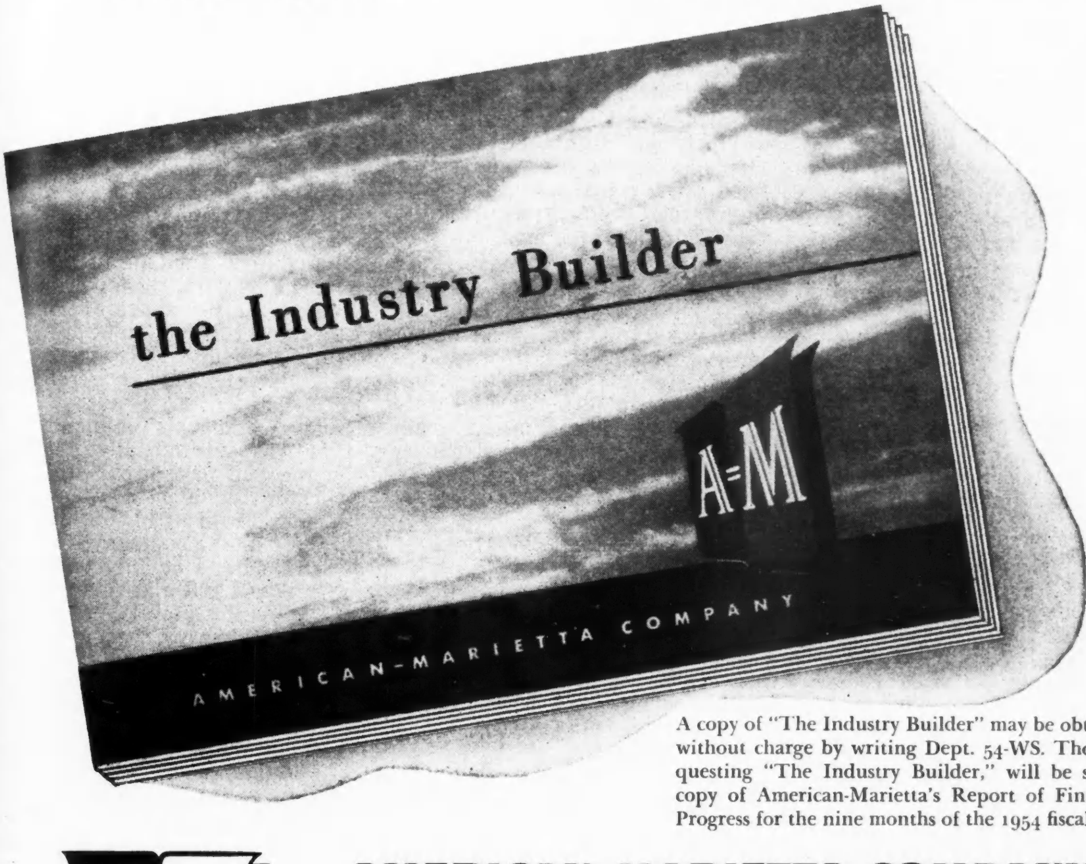

A copy of "The Industry Builder" may be obtained without charge by writing Dept. 54-WS. Those requesting "The Industry Builder," will be sent a copy of American-Marietta's Report of Financial Progress for the nine months of the 1954 fiscal year.

A=M

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Answers to Inquiries

(*Continued from page* 218)

of the previous year.

Continued improvement in operating efficiencies and increased sales were credited for the sharp increase in earnings.

Bottling subsidiaries are continuing to show gains in operating efficiency, as is traffic (fleet operations and freight) division.

Net earnings after taxes through September 30, 1954 were $716,920, compared with $624,032 in the first three quarters of 1953. Per share earnings before taxes for the first three quarters of 1954 were $2.08 per share. Taxes on earnings per share were higher by almost 3%.

Dividends are at a 15¢ quarterly rate.

The expansion of sales territories enhances outlook.

Northrop Aircraft Inc.

"I would appreciate receiving earning data on Northrop Aircraft Company, dividend payments and also prospects for the company."

P. D., Wilmington, Del.

Net earnings of Northrop Aircraft, Inc. for the fiscal year ended July 31st, 1954 after Federal income taxes amounted to $3,829,387, equal to $5.25 per share on the 729,857 shares of capital stock outstanding. Provision for federal taxes on income, including $660,000 for excise profits tax, total $5,044,157 or $6.91 a share.

Consolidated net income for the 1953 fiscal year, before including a special tax credit related to prior years, was $2,338,359, or $3.64 a share on the 642,092 shares then outstanding. Including the tax credit, which amounted to $1,022,157 total income for the fiscal year ended July 31st, 1953, was $3,360,516 equal to $5.23 per share of stock then outstanding.

Northrop's production in 1954 was considerably higher than in the preceding year, but because of changes in the type of contracts there was a decline in sales. For the twelve months ended July 31st last, consolidated sales and other income totaled $171,663,343, comparew ith $184,230,017 for 1953.

The decrease in sales resulted from a greater portion of the company's production being performed under fixed-price rather than cost-plus-fixed fee type contracts. Under the latter type con tracts costs incurred, together with the fee earned, are reflected in sales and income as the work progresses. However, under fixed-price contracts expenditures are carried in inventories and sales and are not recorded, or inventories reduced until the products are delivered.

Sales for the final quarter of 1954, when initial deliveries of airplanes were made under major fixed-price contracts, reflect the high rate of production during the year. For the three months ended July 31st last, sales were $61,958,-503, compared with $45,927,249 for the same period a year earlier.

The company's consolidated backlog at July 31st last was approximately $512,000,000 compared with $508,000,000 at July 31st, 1953. The company is competing energetically for additional major business scheduled to be contracted by the U.S. Government.

The upward trend in sales during the final months of the fiscal year, when considered together with the level of the substantial backlog of orders, suggest favorable results over coming months.

Dividends thus far this year have totaled $1.28 per share.

Grayson-Robinson Stores, Inc.

"Please furnish information on recent sales volume of Grayson-Robinson Stores and also comment briefly on the company's financial position."

C. S., Perth Amboy, N. J.

Grayson-Robinson Stores, Inc. had total sales of $90,357,558 for the fiscal year ended July 31st, 1954, compared with $96,537,621 for the preceding fiscal year.

Sales during the first six months of the past fiscal year were down. However, an upward trend in sales volume was evident during the last six months of the fiscal year and this trend continued during the first two months of the current fiscal year.

Net income after deduction of minority interest, but before provision for taxes and amortization, was $797,275 for the fiscal year ended July 31st, 1954 compared with $1,494,155 for the preceding fiscal year. The decline in net income took place entirely during the first six months of the fiscal year.

Earnings for the fiscal year ended July 31st, 1954, were $227,-469 or 17¢ per share of common stock, after deduction of preferred stock dividends. Earnings for the preceding fiscal year were $633,-787.

The company's financial position was substantially improved during the past fiscal year. Net working capital on July 31st, 1954 amounted to $14,568,539, the highest in the company's history. Cash on hand at July 31st, 1954 was $7,864,106 and this exceeded total current liabilities of $7,232,-247. Further, the company has $3.01 of current assets for each $1.00 of current liabilities.

In addition to the S. Klein stores in New York City and Newark, Grayson-Robinson operates a chain of 72 specialty stores throughout the United States.

Last common stock dividend was 25¢ a share on October 30th, 1953. —END

Common and Preferred **Dividend Notice**

October 27, 1954

The Board of Directors of the Company has declared the following quarterly dividends, all payable on Dec. 1, 1954, to stockholders of record at close of business Nov. 5, 1954:

Security	Amount per Share
Preferred Stock, 5.50% First Preferred Series	$1.37½
Preferred Stock, 4.75% Convertible Series	$1.18¾
Preferred Stock, 4.50% Convertible Series	$1.12½
Common Stock	$0.35

Secretary

TEXAS EASTERN *Transmission Corporation*

SHREVEPORT, LOUISIANA

IN THE NEXT ISSUE

5 Stocks With Above-Average Prospects

Surprises in Store From New Congress

(*Continued from page* 186)

Rural Electrification Administration cooperatives. In addition, he is certain to support legislation favorable to an over-all public power program.

Appropriations: Rep. Clarence Cannon, of Missouri, will head this group. He is no "squandermaniac," but he can be expected to go along with more Federal money for irrigation, flood control and power projects. He will, however, adhere to a sound theory that there should be local financial participation in the cost of these projects. Cannon also will look with jaundiced eye upon Federal contributions to school and hospital programs unless he can assure himself that Washington will have no say in the policies of institutions benefiting from Federal aid. Cannon will be a bit "tight" on funds for administrative payrolls of most of the agencies.

Banking & Currency: Brent Spence of Kentucky will wield the gavel here. In the next two years he is apt to be busy trying to "explain" Federal Housing Administration scandals traceable to the Truman Administration, but he is also certain to support a broader Federal housing program than cleared the last Congress. Also, he is expected to tighten the law to prevent any future "windfall" profits from Federally insured mortgages.

Foreign Affairs: Rep. James P. Richards, of South Carolina, is slated to chairman this group. Retiring, almost to the point of reticence, Richards is nevertheless well-posted on what goes on abroad. He perhaps knows more of the thinking, the strength and weaknesses of our Allies (real and pretended) than any other man on Capitol Hill. Like Cannon, of Appropriations, Richards is no "squandermaniac," hence can be expected to work toward lessening expenditures in those foreign areas where such money is really not needed. He can be expected to support technical aid, but oppose cash outlays over which we have little or no control.

Interior: Clair Engle of California, a reclamation State, will call this group to order next January. When it comes to public power, as tied in with Reclamation's irrigation projects, Engle is doubtless "left of center," but there have been many times in the past when he has demanded that the Department of Interior give full economic justification for its projects, along with proof that private enterprise could not do a better job. Also, he is known to favor State, rather than Federal operation of public service projects, such as irrigation and hydroelectric power.

Judiciary: Right here, business is going to run into trouble, if not trouble, considerable harassment. Rep. Emanuel Celler, Brooklyn, will chairman this committee. He has long been an advocate of tighter anti-trust laws, greater Federal control over business—especially the business he elects to call "big" or "monopolistic," with his own biased (often intricate) definitions of what is big or what is monopolistic. He has already given warning that he will initiate extensive investigations of big business with a view to putting even more strictures on commerce and industry that dares to make a good living.

Labor: The cheerful gleam for business here is that Graham A. Barden, of North Carolina, will head this Committee. Labor leaders have been free in describing him as a "labor-hating reactionary," but labor leaders are habitually extreme in their denunciations of those they do not like. Barden is not a "labor hater" nor is he a reactionary. He is a hardworking, conscientious legislator who tries to be fair to both sides, often pointing out to rank-and-file union membership that what their leaders propose is not necessarily sound economics for the individual and his family, especially

(*Please turn to page* 232)

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Maybe ten years ago you couldn't afford to take much risk with your money, so you bought stocks primarily for safety. But maybe that picture has changed. Maybe nowadays you're more interested in making capital gains. You can afford to take more risk—but you want stocks that have real opportunities for growth. In that case, the stocks you bought ten years ago may not be suitable.

That's why we think that every investor should have his holdings reviewed at least once a year—to check up on their prospects in the light of his changing investment objectives.

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Surprises in Store From New Congress

(*Continued from page* 231)

those proposals which sound like "pie in the sky." This Committee will also handle proposals for Federal aid to Education. Barden doubtless will "go along" with such aid to State and local schools, but only with safeguards against "thought control" from Washington.

Public Works: This Committee, which acts on practically all Federal building and rivers and harbors improvements, reclamation projects excepted, will be headed by Rep. Charles A. Buckley, of New York. His views are not recorded fully, although he supported the St. Lawrence Seaway. It is probable that he will be on the conservative side, and support the Administration thesis that the cost of Federal public works projects in the areas of navigation and flood control should be partially paid for by local interests and local governments. This would be, if not a reversal, at least a brake on the Democratic tendency to make the most of "pork barrel" bills.

Rules Committee: This group is something more than powerful. As "traffic cop" on pending legislation, it can delay any bill not pleasing to the Committee. It decides in the first instance what bills will reach the House floor for debate; how much time will be allowed for debate. Howard Smith, of Virginia, who will be the Chairman, is conservative, far to the right of center, and could prove even more powerful than Sam Rayburn who will be Speaker of the House. As of now, there are four Democrats and eight Republicans on the Committee. The new Congress will reverse these figures, and it is a certainty that the Democratic majority will have views closely allied to those of Smith, who will have considerable say as to who his Democratic associates will be.

Ways & Means: This is perhaps the most important of all the Committees. It handles *all* tax legislation, foreign trade agreements, the Social Security program and like measures touching the pocketbook of the individual and the corporation. Legislation of these types, by Constitutional provision, must originate in the House, consequently must meet their first hurdle before this Committee, which has the Senate Finance Committee as a less powerful counterpart.

Jere Cooper, of Tennessee, will be Ways & Means chairman. During the last session of Congress he went along with the President's program for extending, then eliminating, the excess profits tax. But he bucked other portions of the President's tax reducing program and came out in favor of bigger exemptions for the individual taxpayer, rather than reductions for the holders of stocks. It now looks as if Cooper will again favor cuts for the individual.

In the area of *foreign trade,* Cooper is likely to support a 3-year extension of the Reciprocal Trade Agreements Act, plus some liberalization from the foreign angle. He is a protegé of former Senator and Secretary of State Cordell Hull, "daddy" of reciprocal trade, indicating that he may give the President considerable support on foreign trade agreements and be adverse to tariffs and stringent import quotas.

The Joint Committee on Atomic Energy is a bit of a puzzle at the moment.. A House member, Sterling Cole of New York, has been Chairman for the past two years, but the Chairmanship may move over to the Senate side. In which event, Sen. Bourke B. Hickenlooper, of Iowa, will be at the helm. Just what course this Committee will take is difficult to forecast. Much will be determined by its pending hearings on the controversial Dixon-Yates contract. However, it is a reasonable assumption that it will move more and more toward permitting private industry's participation in power developments stemming from the atom.

Earlier in the story it was pointed up that a decision by the Judicial branch may prove troublesome to the President, and it was also pointed up that 11 of the House Committee Chairmen will be from Dixie. The Supreme Court's school desegregation decision, extremely distasteful to the South, is regarded by the Dixie solons as a political rather than a judicial or constitutional decision. Even though a majority of the High Court is Democratic, the southerners regard the decision as Eisenhower-inspired. It rankles. Consciously, or subconsciously, this may adversely affect every White House proposal presented to the Congress. It will require great skill in maneuvering on the part of the President to counteract this handicap.

It is obvious from the composition of the chairmanship of the various committees, Senate and House, that the moderates and even the "right-wingers" will be in control. Since these men have a large voice in the shaping of legislation, it would follow that, on the whole, the present favorable climate for business and investments will not be disturbed. Probably, this is the most important single interpretation one can place on this most amazing of elections in the history of the United States. —END

New Factors In Earnings-Dividend Prospects?

(*Continued from page* 189)

companies do not segregate their rapid amortization charges, we were unable to include all of these charge-offs. However, about half the companies mentioned have provided their stockholders with these figures and these we have listed separately in the small table.

In addition to supplying our readers with data on 1953 "cash" earnings for two leading companies in each of twelve important industries, we have attempted a projection of "cash" earnings for 1954. This is based partly on "book" earnings reported for the first nine months and on which we have cast an estimate of "book" earnings for the year, and, partly, on an estimate of 1954 charge-offs for rapid amortization and depreciation for the companies listed. These estimates are based on Federal Trade commission reports on charge-offs during the first quarter of 1954. It will be noted that while we have estimated that rapid amortization and depreciation charges would be higher in 1954, the rate of increase varies considerably, according to the industry. In instances where increases in such charges are estimated to be very sharp, "cash" earnings for the year are likely to be even higher than in 1953.

Relation To Dividend Payments

We have presented these facts because they are relevant to dividend prospects generally. Where "cash" earnings are high and likely to remain high, under normal operating conditions, there is greater assurance of maintenance or, possibly, increase of dividend payments. Where these charge-offs are not substantial, then the investor must realize that the potentials for dividends are entirely influenced by the amount of stated, as against "cash" earnings. In that case, a decline in "stated" earnings, unsupported by good "cash" earnings, could have a serious effect on dividend payments.

It will be seen that there is a direct relationship between "cash" earnings and dividends. There is also a relationship between market appreciation potentials and "cash" earnings over the longer term. At the expiration of the rapid amortization period, the weight of income tax payments is lifted and net earnings receive the benefit. A glance at the small table shows that for the twelve companies listed, income tax savings arising from the end of rapid amortization payments could amount, in some cases, to substantial amounts per share. This would revert directly to the stockholders as their share of earnings, and an increased part of it could be paid out in dividends. Thus, under normal conditions, earnings for these companies and others similarly benefited could rise very substantually at the end of the five-year period. Obviously, this would have a direct influence on share values.

Of course, this will naturally be of interest principally to long-term investors seeking capital gains. On a shorter-term basis, the interest of investors in rapid amortization charges is limited rather to the dividend aspects of this situation. As stated, the immediate dividend position of companies with heavy special charges for amortization and depreciation (also depletion) is strengthened on account of the increase in "cash earnings. What is known as the "cash flow" to company treasuries, accordingly, is of paramount interest to all classes of investors. Unless aware of the implication of this factor, investors operate in the market under an unnecessary handicap.

—END

Can Anti-Trust Suits Stop Mergers?

(*Continued from page* 191)

fining, the big meat packers and such railroad combinations as the New Haven and the Lackawanna. It might be called coincidence but does not look like it that, knowing a change of Administration was to take place, the Taft Administration had ready for filing four suits in the first three days of March and two – Burroughs Adding Machine and American Thread—on March 3, the very eve of the Wilson Inauguration Day.

During the Wilson Administration, 91 anti-trust suits were filed, the Administration having

(*Please turn to page* 234)

Delta Air Lines, Inc.
now operating as
Delta C&S

CASH DIVIDEND No. 29

The Board of Directors of Delta Air Lines, Inc. has declared a quarterly dividend of 30c per share on the capital stock of the company, payable December 6 to stockholders of record at the close of business on November 19.

Delta Air Lines, Inc.
General Offices: Atlanta, Ga.

Allied Chemical

The following dividends have been declared on the Common Stock of Allied Chemical & Dye Corporation:

Quarterly dividend No. 135 of Seventy-Five Cents ($.75) per share.

Special dividend of Fifteen Cents ($.15) per share.

Both dividends are payable December 10, 1954, to stockholders of record at the close of business November 12, 1954.

Payment of these dividends will make a total of $3.00 per share paid in 1954, the same as in 1953.

W. C. KING, *Secretary*
October 26, 1954.

NATIONAL DISTILLERS
PRODUCTS CORPORATION
NATIONAL DISTILLERS

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on December 1, 1954, to stockholders of record on November 12, 1954. The transfer books will not close.

THOS. A. CLARK
October 28, 1954 Treasurer

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AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable December 1, 1954 to stockholders of record at the close of business on November 19, 1954.

A quarterly dividend of 32 cents per share and a special dividend of 21 cents per share on the Common Stock have been declared, payable December 15, 1954 to stockholders of record at the close of business on November 19, 1954.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
JOHN E. KING
Vice President and Treasurer

PLYMOUTH DODGE Chrysler Corporation DE SOTO CHRYSLER
YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION

DIVIDEND ON COMMON STOCK

The Directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable December 11, 1954 to stockholders of record at the close of business November 16, 1954.

B. E. HUTCHINSON
Chairman, Finance Committee

Can Anti-Trust Suits Stop Mergers?

(*Continued from page* 233)

two of its own new laws, the Federal Trade Commission and the Clayton Acts, under which to file. Among these was that against the American Column & Lumber Company, the first of the suits against trade associations as trusts. Eastman Kodak, American T & T, American Can and suits against the big packers were among the others. In sharp contrast, the Harding Administration brought only seven cases.

In the Calvin Coolidge Administration 123 anti-trust suits were filed some of them finding a new area in the vastly growing motion picture industry, but Mr. Hoover's Attorney General saw the need for only 24 cases. Bearing the same name as the first great Trust-buster, Franklin Roosevelt completely eclipsed his predecessor's record with a total of 432 anti-trust suits. To be sure, he was in office a much longer time but Mr. Truman whose term was almost the same length as Theodore Roosevelt's saw 296 cases filed—almost seven times as many as T.R.

So far the Eisenhower Administration has shown no great eagerness to enter the trust dissolution field, with scarcely a hundred anti-trust cases filed—only 88 up to the close of the fiscal year July 1. Some special activity in recent weeks such as the Bethlehem-Youngstown disapproval, may in some quarters be attributed to a desire to win public acclaim in an election year. Appearances are all against this view. For one thing, the American people do not have the quick interest in either trusts or anti-trusts suits that they had a generation or so ago. Vast numbers of the American electorate would not know what you were talking about if you mentioned the Bethlehem case. Nor would they care.

Public Apathetic to "Trust-Busting"

However, in the last Administration, there was an anti-trust suit, a tremendous one, which should have been meat and drink to the politicians who seek to thrive upon the pillorying of soulless corporations because, unlike the Bethlehem - Youngstown affair, it touched most consumers intimately. It was a suit filed against the Atlantic & Pacific Tea Company. That great company's organization seemed to fit all the definitions of bigness and wide operation which would bring it within the prohibitions of the various anti-trust statutes. Moreover, it was felt that the suit would form a model for similar movement against all national chain store operations.

Here was a trust-busting suit which by all previous experience should have been immensely popular. It did attract far wider attention than any suit for a long time but, doubtless to the dismay not only of the Government attorneys but to unwary and uninformed politicians, *the public, the consumers, were on the side of the trust!* Consumers' organizations, individuals, producers who sold to the trust and an infinite variety of others hastened to give testimony much to the effect that they did not want anything untoward to happen to the A & P. The great food trust was their friend! The suit ended in defeat for the Government, a mere compromise consent decree which, while meeting a few technical objections of the Government, made little substantial difference in the operations.

Congress enacts laws and lays upon the Attorney General, the Federal Trade Commission or other agencies the duty of enforcing such laws. So far, Congress has met great difficulty in writing statutes which take into consideration various imponderables. Enforcement officers, perhaps, are expected to use discretion in administration but here again difficulties are encountered in weighing imponderables. The law fitted the great A & P trust, the complaints filed by the Federal law officers were properly drawn but the latent force of the imponderables caused the whole prosecution, which lasted many months and cost millions in legal expenses for both sides, to fall to the ground.

The whole outcome turned on this point which is likely to become the controlling point in the present generation, that is: Should a business organization be dissolved because it theoretically and technically meets certain statutory definitions of substantial monopoly or should it be preserved because it serves the pub-

lic adequately and demonstrably better than anyone else could? Here is a matter which probably defies reduction to the rigid forms of statutes but, presumably, a general policy on the part of chief enforcement officers could be shaped to meet the mutations of American industrial evolution.

It is highly questionable if anyone can write a definition of monopoly for explicit application to American corporate business with special reference to a Government policy. The task of enforcement officers has become an unenviable one and it is of great importance for the American business and investing community to watch eagerly how that task is to be faced in the present. For right now the Department of Justice's Anti-Trust Division has before it 28 merger applications of companies in 16 industries. Some would appear to have only a remote consumer interest, having to do with steel, hydraulic presses and heavy power equipment but others come closer to the average buyer of consumer goods as they deal with foods, clothing, automobiles, shoes and some household items. In addition the Federal Trade Commission is investigating no less than 209 proposed mergers and acquisitions and here again there are the near and remote classifications so far as the average citizens is concerned.

Chairman Howrey of the Federla Trade Commission has directed the body's Bureau of Economics to conduct a study of recent corporate mergers and acquisitions presumably in an effort to arrive at a policy to guide in possible action against pending proposals. Here, it would appear, an opportunity will be presented to use discretion, to assess the imponderables which have operated in relation to mergers of the recent past as a guide to the official attitude toward pending proposals.

Certainly, the Federal Trade Commission and other investigators will be concerned with the purposes of mergers. It is recognized that many a company has been saved from extinction (with all its employes) by timely absorption by a stronger concern. In perhaps most mergers a desire is present to increase productivity at lower unit cost. In some cases, a manufacturer can better serve the public through short-cuts provided by merging. In any legislation Congress must watch these ultimate purposes.

An extremely interesting aspect of monopoly in any industry —the original target of anti-trust laws—is that the inventions and processes that have developed since the earlier laws were passed now produce competition between industries. The first anti-trust suit was against a small coal combine. Today that combine would find itself in keenest competition with fuel oil, gas and electricity not one of which was a competitor in 1890!

Size, once anathema in corporate business, now is recognized of advantage to the public. The giant, General Motors, has not lessened competition in the automotive field but has given the Government, in wartime, the type of productive capacity which makes victory as assured as it can be. No small organization could have done what General Motors has done in research and development of a thousand kinds. In the last nine years, General Electric, through its researches, has developed products which not only have given the buying public a greater variety of goods at lower prices but actually created 45,000 jobs in that company which did not exist before. Those jobs are exclusive of added employment given through production of raw materials for those products, their shipment, their distribution and their sale.

The latest automotive merger, the Studebaker-Packard, has increased competition in the automotive field as the merged companies can furnish more competition against other lines than either independent company could. Since the merger, man-hour employment has greatly increased. And to emphasize what size can bring in the way of benefits to vast numbers, only such a great organization as RCA could have spent $50,000,000 on television research with an added $12,000,000 on color.

Another cogent thought is that, in the days when the earlier anti-monopoly statutes were enacted, the stock of huge corporations was more closely held or held by rich men, their estates, by banks by what was called a money power. Even were it not for the laws against inter-locking directorates (a device which served to concentrate control of business) a changed situation would have

(*Please turn to page* 236)

American
INVESTMENT COMPANY
OF ILLINOIS

96TH CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable December 1, 1954, to stockholders of record November 15, 1954.

The Directors also declared the regular quarterly dividends on the 5¼% Cumulative Prior Preferred Stock, the Series A $1.25 Convertible Preference Stock and the 4½% Preference Stock, all payable January 1, 1955 to stockholders of record December 15, 1954.

HARRY W. HARTLEY
Treasurer

November 1, 1954

Financing the Consumer through nation-wide subsidiaries—principally:

AICO

Public Loan Corporation
Domestic Finance Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

CROWN CORK & SEAL COMPANY, INC.

CROWN

PREFERRED DIVIDEND

The Board of Directors has this day declared the Regular Quarterly Dividend of fifty cents (50¢) per share on the $2.00 Cumulative Preferred Stock of Crown Cork & Seal Company, Inc., payable December 15, 1954, to stockholders of record at the close of business November 16, 1954.

The transfer books will not be closed.

COMMON DIVIDEND

The Board of Directors has this day declared a Dividend of fifteen cents (15¢) per share on the Common Stock of Crown Cork & Seal Company, Inc., payable November 30, 1954, to stockholders of record at the close of business November 9, 1954.

The transfer books will not be closed.

WALTER L. MCMANUS, *Secretary*

October 28, 1954

AMERICAN & FOREIGN POWER COMPANY INC.

Two Rector Street, New York 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held October 29, 1954, declared a quarterly dividend of 15c per share and a year-end dividend of 15c per share on the Common Stock for payment December 10, 1954, to the stockholders of record November 10, 1954.

H. W. BALGOOYEN,
Vice President and Secretary

October 29, 1954

RIO GRANDE VALLEY GAS COMPANY

BROWNSVILLE, TEXAS

DIVIDEND No. 27

A year-end dividend of four cents per share on the outstanding common stock of this corporation has been declared payable December 14, 1954 to stockholders of record at the close of business November 16, 1954.

W. H. MEREDITH
Treasurer

November 2, 1954

DIVIDEND NOTICE

SKELLY OIL COMPANY

The Board of Directors today declared a quarterly cash dividend of 45 cents per share on the common stock of the Company, payable December 3, 1954, to stockholders of record at close of business November 1, 1954.

October 19, 1954

C. L. SWIM,
Secretary

UNION CARBIDE
AND CARBON CORPORATION

UCC

NEW YORK, October 26, 1954—the Board of Directors of Union Carbide and Carbon Corporation has today declared a quarterly dividend of 50¢ per share and a SPECIAL DIVIDEND of 50¢ per share, total $1.00 per share, on the outstanding capital stock of the Corporation, payable December 1, 1954 to stockholders of record November 5, 1954. The last dividend was 50¢ per share paid September 1, 1954.

Payment of this dividend on December 1st will make a total of $2.50 per share paid in 1954, the same amount as was paid during 1950, 1951, 1952, and 1953.

KENNETH H. HANNAN
Vice-President and Secretary

IBM TRADE MARK **INTERNATIONAL BUSINESS MACHINES CORPORATION**
590 Madison Ave., New York 22

The 159th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable December 10, 1954, to stockholders of record at the close of business on November 19, 1954. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Vice Pres. & Treasurer
October 26, 1954

CONTINENTAL CAN COMPANY, Inc.

A regular quarterly dividend of seventy-five cents (75¢) per share on the common stock of this Company has been declared payable December 15, 1954, to stockholders of record at the close of business November 24, 1954.

LOREN R. DODSON, *Secretary.*

Can Anti-Trust Suits Stop Mergers?

(*Continued from page* 235)

developed through the distribution of stockholdings. Save for a few family concerns, with Ford the only big one, the stocks of what would be in the old days natural targets for anti-trust suits are owned by hundreds of thousands, even millions of American citizens and with the growth of mutual investment houses, distribution of ownership becomes daily wider. In one sense a national crusade resulting in a wave of anti-trust suits would mean the people would be suing themselves.

It is not at all inconceivable that, under a new dispensation and a new view of big business organization, the trust will become, not the oppressive overlord of yore but what was originally intended—something in which to repose confidence.

It is, of course, impossible to foretell the outcome of the various anti-trust suits pending and those that probably will soon be instituted. What is obvious, however, is the necessity for a re-examination of present anti-trust statutes for the purpose of clarifying the ambiguities through new legislation. Meanwhile, it is likely that some of the contemplated important mergers, on which negotiations are far advanced, will be held in abeyance. Other mergers, already proposed, but not yet out of the preliminary stage, may be completely abandoned, for the time being, at least. In any event, it now appears that the merger movement which developed on such a broad front within the last few years can be expected to taper off, awaiting the clarification of the many problems existing laws create. This outlook throws an entirely new light on the investment aspects of proposed mergers. —END

Aristocrats of the Market

(*Continued from page* 228)

equal to $872 a share for each share of Coca Cola International outstanding.

The high market value of the two rails in this group of aristocrats is by virtue of the fact that both Mahoning Coal Railroad and the New York & Harlem are valuable rail properties, incorporated in the New York Central System which owns the majority of the common stock of each. The amount of stock in the hands of the public is extremely small, there being less than 10,000 shares of Mahoning Coal Railroad and only approximately 8,000 shares of N. Y. & Harlem, not owned by the controlling and leasing New York Central. Mahoning Coal Railroad common has long been a good dividend payer. Distribution in each of the three years to the end of 1953 amounted to $45 a share annually. So far this year it has paid $27.50 a share which is apt to be brought up to a 1954 total of approximately $35. On this basis, the yield at current bid price of the stock would be about 8.7%.

As for New York & Harlem Railroad common, it is interesting to note this issue, although it pays only $5 a share annually in dividends, has been a volatile stock market-wise. From a low in 1943 at 68½, it gradually advanced, not without some violent gyrations, to a 1952 high of 673, only to fall back in the following year to 300. So far this year it went to 515, and is currently quoted at 401 bid, 485 asked with a sale as recent as Oct. 15, last at 410. Even that price is rather high for a stock that pays only $5 a year, but this substantial evaluation is apparently put upon the shares by some because of the large holdings of real estate of the road and their possible sale by the present New York Central management, it being calculated that the net proceeds from the liquidation of real estate holdings would result in a substantial equity for the common stock.

Up in the Stratosphere

Of all the issues in the group of aristocrats, however, Christiana Securities common appears to have the most glamor, largely because of the fact that some investor is willing to put a $9,050 evaluation on one share and be affluuent enough to be able to bid that much for it. It is certainly not the current yield that makes this stock attrac-

(*Please turn to page* 238)

Isn't This The Kind of Service You Want?

On July 20, 1954, Mr. C. B. of Hollis, N. Y. subscribed to The Forecast for one year. On October 20, three months later, he extended his enrollment to July, 1957, stating: *"Enclosed is my check for $200 to cover extension of my subscription, which is only a few months old, for a period of two years. The experiences I have had in the short time I have your service, justify my doing so. I bought 50 Sperry at 64½, sold 25 at 77½. You can see my outlay has already been covered by the 25 Sperry."*

A SOUND PROGRAM For 1954-55
For Protection — Income — Profit

There is no service more practical . . . more definite . . . more devoted to your interests than The Forecast. It will bring you weekly:

Three Investment Programs to meet your various aims . . . with definite advices of what and when to buy and when to sell.

Program 1—Top grade stocks for security and assured income with excellent appreciation potentials.

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Projects the Market . . . Advises What Action to Take . . . Presents and interprets movements by industry of 46 leading groups comprising our broad Stock Index.

Supply-Demand Barometer . . . plus Pertinent Charts depicting our 330 Common Stock Index, 100 High-Priced Stocks, 100 Low-Priced Stocks; also Dow-Jones Industrials and Rails from 1940 to date.

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Essential Information for Subscribers . . . up-to-date data, earnings and dividend records on securities recommended.

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Weekly Business Review and Forecast of vital happenings as they govern the outlook for business and individual industries.

This satisfaction typifies the attitude of our subscribers who have shared in our highly profitable record this year. For example, in our April 13th bulletin we advised all subscribers to buy General Dynamics at 43 (to yield 8.1%). At this writing it is selling at 67 . . . with a profit of 24 points or 55.8%.

This Forecast selection may eventually equal our recommendation of Boeing in December, 1953 at 46 (yield 10.8%).

In May it was split 2-for-1, marking subscribers' cost to 23. It is now at 62⅛ . . . showing 39⅛ points rise—over 170%.

Southern Railway—recommended at 61—was split 2-for-1—cutting our buying price to 30½. It is currently at 61½ giving subscribers 101% appreciation. The $3.50 dividend means an 11.47% yield at our cost price.

PROFITS AVERAGE 49.5% — INCOME AVERAGES 7.67%

On all 10 Forecast recommendations now being carried our gains average 49.5% — dividend yield averages 7.67%. Subscribers are kept informed on new company developments . . . and we will advise them when to take profits — where and when to reinvest.

ENROLL NOW — GET ALL OUR RECOMMENDATIONS

The time to act is now — so you will be sure to receive all our new and coming selections of dynamic income and profit opportunities.

Mail your enrollment today with a list of your holdings (12 at a time). Our staff will analyze them and advise you promptly which to retain — which are overpriced or vulnerable. By selling your least attractive issues you can release funds to buy our new recommendations at strategic levels.

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PHELPS DODGE CORPORATION

The Board of Directors has declared a fourth-quarter dividend of Sixty-five Cents (65¢) per share, payable December 10, 1954 to stockholders of record November 19, 1954; also a year-end extra dividend of Forty Cents (40¢) per share payable January 7, 1955 to stockholders of record December 17, 1954.

This makes total dividends declared in 1954 of Three Dollars ($3.00) per $12.50 par value share.

M. W. URQUHART,
Treasurer.

November 4, 1954

BOOK REVIEW

ROYAL MERRY-GO-ROUND
By F. W. Kenyon

No royal court was ever gayer or more corrupt than that of Louis XV. All the elegance and decadence of eighteenth-century France seemed personified in the dashing figure of the king. In the century that danced a nation into revolution, it was not expected that a king remain faithful to his queen; and that handsome Louis did so for some time was a continuing marvel. But then the long succession of royal favorites who filled his life and alternately shook and strengthened his throne. First came the ambitious ladies of the court, Julie de Maillie, Anne de Chateauroux, and Pauline de Nesle—three sisters who each in her turn was fated to be favored by a king. They were succeeded by the fascinating Toinette, a girl from the bourgeouisie who was known to the world as Madame Pompadour. And finally by the golden-haired, bewitching tavern wench who earned the title of Madame Du Barry. Incapable of lasting passion, Louis sought happiness where he could find it—in the arms of the most desirable women in his realm.

Against the pageant of royal favorites who whirl through the pages of *Royal Merry-Go-Round* is silhouetted Louis' own story. Orphaned at five; reared under the wise but ruthless Cardinal Fleury, who found the best way to rule his royal charge was by sweetmeats and flattery; crowned king at thirteen and married at fifteen—it is no wonder that Louis always took the line of least resistance, whether it was yielding to a demanding mistress, a greedy courtier, or an ambitious statesman. Yet he truly wished to be a good and great king, to merit the title of "Well-Beloved" that he bore so briefly. Against the background of the glittering, intrigue-ridden court that heedlessly rode its own merry-go-round to destruction, Louis appears as an incredible but strangely appealing figure—a king whose careless hands shaped the destiny of France.

Crowell Co. $3.50

Aristocrats of the Market

(*Continued from page* 236)

tive at this price. Dividend payments on the shares in 1953 totaled $281, and for the current year total distributions, at the rate of $74 a share quarterly, will amount to $296, with the possibility that the total may be increased by a substantially larger disbursement at the year-end. Even so, assuming full 1954 payments ran as high as $325 a share, the yield would be just a shade above 3.5%. Where then does Christiana Securities common derive its stratospheric market value? In answering such a question, one fact that cannot be overlooked is the company is duPont-managed and that its biggest asset is, according to last report, 12,199,200 common shares of E. I. duPont deNemours & Co., to which is added 170,000 shares of General Motors common, and 7,210 shares of the Wilmington Trust Co. These holdings of duPont and GM alone have a combined current market value of approximately $1,723,188,000. To this should be added the value of the Wilmington Trust stock and the shares of the wholly-owned News-Journal Co., on the basis of most recently available data. Calculated on an approximate basis, the net asset value of Christiana Securities 150,000 shares of common would amount to close to $11,000 a share. Obviously, Coca Cola International and other members of the aristocracy might find it difficult to depose Christiana Securities common from its leadership of the security gentry.

—END

"Blow-Off" in Latin America

(*Continued from page* 197)

and petroleum production have also picked up, and while there are pitfalls ahead, it looks that confidence in Mexico's future both at home and abroad is slowly being restored.

Military Dictatorship Continues in Cuba

The recent uncontested elections in Cuba returned to power General Batista, the perennial dictator of the country, who has been running the country with the help of the military and the police since March 1952, when he seized power the last time. The New York Times called the elections "the most confusing and frightening in Cuba's history," largely because they added fuel to a situation that is liable to explode and create even more serious problems than the United States faced in Guatemala.

Despite the efforts to diversify her production, Cuba has not been able to divorce herself from undue dependence on sugar. Consequently, with the international market for sugar shrinking and sugar prices declining, she has been going through a period of readjustments which require sacrifices from all classes. Sugar crop was cut in 1953 and in 1954, and a further crop restriction may be necessary in 1955. All this means lower wages at a time when Cuban retail prices are higher than in the United States. Business slumped badly in 1953, but recovered in the spring of 1954. Future prospects are uncertain. About the only thing that is certain in Cuba is that a further deflation, further sacrifices will be necessary. Only time will show whether President Batista can force the Cubans to carry out the necessary adjustments and keep the lid down at the same time.

Forthcoming Conference in Rio

The above stories of individual countries are intended to show that Latin America's problems center around (one) the slackening of economic growth in the face of rising population and (two) adjustments to more normal conditions in world markets, especially hard for the countries still dependent upon one or two export commodities. The Inter-American Economic Conference that opens in Rio on November 22 is to discuss these problems. What can be done about them?

Mr. Henry F. Holland, Assistant Secretary of State for Inter-American Affairs, who recently toured Latin America in gathering material for the Conference, indicated that the United States hopes to aid her sister Republics in three ways: "First through stimulation of trade by reduction of all types of barriers; second, by loans that are considered

(*Please turn to page* 240)

in this moment

The prayer lingers still . . . across the table as Dad begins to serve . . . it brushes Mother's still-bowed head . . . it caresses Sally's fist as she reaches for the promised drumstick. The words of thanksgiving are being made real in this moment—the words of gratitude from a good provider to the Great Provider.

This time of security together is precious beyond all words.

The most precious gift we give or receive is the gift of security. It is the lifeblood of happiness. And only in a land like ours are we free to choose security as a goal of living.

And with this choice goes another great privilege—helping to achieve the security of our country. For, secure homes, one joining another, make up the security of America.

Let this be the goal of *your* home!

Saving for security is easy! Read every word—now! If you've tried to save and failed, chances are it was because you didn't have a *plan*. Well, here's a savings system that really works—the Payroll Savings Plan for investing in U. S. Savings Bonds. This is all you do. Go to your company's pay office, choose the amount you want to save—a few dollars a payday, or as much as you wish. That money will be set aside for you before you even draw your pay. And automatically invested in Series "E" U. S. Savings Bonds which are turned over to you.

If you can save only $3.75 a week on the Plan, in 9 years and 8 months you will have $2,137.30. If you can save as much as $18.75 a week, 9 years and 8 months will bring you $10,700!

U. S. Series "E" Savings Bonds earn interest at an average of 3% per year, compounded semi-annually, when held to maturity! And they can go on earning interest for as long as 19 years and 8 months if you wish.

If you want your interest as current income, ask your bank about 3% Series "H" Bonds which pay interest semiannually by Treasury check.

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DREWRYS

A dividend of forty (40) cents per share for the fourth quarter of 1954 has been declared on the common stock, payable December 10, 1954 to stockholders of record at the close of business on November 25, 1954

Drewrys Limited U. S. A., Inc.
South Bend, Indiana
T. E. JEANNERET,
Secretary and Treasurer

"Blow-Off" in Latin America

(*Continued from page* 238)

sound and desirable but not attractive to private capital, and, third, by a diversified and enlarged program of technical assistance." In this connection it may be pointed out that U. S.-Latin American trade held up remarkably well this year. On the basis of the first seven months, our 1954 exports will probably reach $3.3 billion, or some $150 million more than last year. Exports to only three countries slipped: Cuba, Chile, and Peru. Our non-coffee imports from Latin America will probably be about $100 million larger, or about $2,100 million. What will happen to our coffee imports from Latin America which in 1953 cost us almost $1,500 million (see table) is difficult to foresee in view of price fluctuations and inventory policies.

The Latin Americans regard U.S. proposals as utterly inadequate to meet their problems and there is already feeling of futility about the Conference. The minimum demand is for tariff concessions (no duties on non ferrous metals, for example) and for a price stabilization program. What the Latin Americans would really like to see is a "Marshall Plan for the Americas" that would pour several billions of dollars a year into their respective countries and permit the carrying out of the necessary readjustments with the least amount of sacrifices and political disturbances. However, it is difficult to conceive on this side of the Rio Grande how Latin America can be helped without her helping first by putting her finances in order. Otherwise "a Marshall Aid for the Americas" will be just more money going down the drain. —END

The Trend of Events

(*Continued from page* 180)

public officials pretended that the qualities which built an A. and P. or a Sears, Roebuck were less valuable to the individual as a consumer than those which keep some grocers and merchants one-man corner store operators.

When the obvious fact was pointed out that the Big Four tobacco companies and the six largest national brewers were the fiercest competitors in business, the ridiculous word "oligopoly" was coined to hide the truth. Anything big enough to stand up for itself against political meddling and politicians' open or covert coercion was suspect. We thought we had voted to get rid of this evil cloaking of envy and malice under a pretense of concern for the public good. Mr. Grace reminds us we still have much to do. However, his fight comes out, we are in his debt for that. —END

As I See It!

(*Continued from page* 181)

Communists early next year, the South China sea would become a Communist-dominated lake if Formosa too was to fall.

A prosperous Formosa, defended by some 25 divisions of the re-equipped Free China army under Chiang Kai-shek, has become one of the most dependable strongholds of the free world in the Far East. With a strongly anti-communist government, and practically free of the social and economic instability that has weakened such Southeast Asia countries as Indonesia and Burma, there is no danger of Formosa defaulting into the Communist hands except by conquest. That, moreover, would be no easy victory, and morally difficult to justify. Neutralism of the Nehru kind is unlikely to take roots in Taipei, the capital of the now vigorous Chinese Nationalist State. Even if Japan, pressed by circumstances, climbs on the bandwagon of the Asian neutralists for the sake of Red China's markets—which is quite possible if the Japanese economic situation deteriorates—there will still be Formosa, uncompromising and loyal to the free world's cause. —END

BOOK REVIEWS

LILY
By VINCENT SHEEAN

Lily Soames, once widowed, once divorced, with the advantages of beauty, brains and wealth, achieved a position in international society without ever fully realizing either the delights or the perils of love. Her belated awakening to the eternal passion brought her into the stream of life and into a fateful combination of events beyond her control. The drama arises from her helplessness before the power of destiny. In facing her dilemma Lily was no less conscious of the tragic muse than a princess of ancient Greece.

Within the framework of her tragic love affair with a mysterious Spanish revolutionist, we see the vast contrasts that exist even today between American and European mores; especially evident is the unbridgeable chasm between modern democracy and the aristocracy of ancient Castile—betwen the moral codes of a modern American and a Spanish Roman Catholic.

Ricardo, who cast his spell over Lily, was a fierce and courageous man, born to be burned at the stake. Stony-faced and grave, he played his role in a dangerous and foolhardy conspiracy-an impermanent successor to Don Juan and Don Quixote.

Mr. Sheean has never written a novel of greater intensity or suspense.

Random House $3.00

A PASSAGE IN THE NIGHT
By SHOLEM ASCH

For his first modern novel since *East River* Sholem Asch has chosen a great and timeless theme—that of atonement, of man in conflict with his conscience. Here the creator of unforgettable portraits of such biblical figures as the Nazarene, Moses, and the Apostle Paul has given us another moving drama of the spirit.

Isaac Grossman, son of poor but devoutly religious immigrants, won wordly success as a builder and made a great fortune with comparative ease. His marriage was a happy one and as he grew older, and saw his son carrying the family name on to ever greater heights he should have been proud and happy.

Yet the fact that years ago, when he was young and striving desperately to get a start in life, he had cheated a man named Kovalsky — a man he scarcely knew—preyed upon his mind and let him have no peace. Now he had millions, yet what were they by comparison with the twenty-seven dollars he had stolen? So he came to the small Connecticut city where Kovalsky had lived, in search of the truth and of some way to atone for this wrong.

How Isaac Grossman eventually found renewed strength in the faith of his fathers and purged himself of his sin with the help of his son and his grandson Robert provides a powerful climax for one of Mr. Asch's finest books, one with a profound message for any reader who is interested in the problem of keeping alive the flame of the spirit in an era of materialism.

Putnam $3.75

An Important Message To Investors With $20,000 Or More

For this new era of industrial science—of dynamic investment opportunity—we offer you the most complete, personal investment supervisory service available today.

Investment Management Service is designed to help you to own shares of companies that will PACE THE NATION'S GROWTH . . . leaders in electronics, aerodynamics, "push-button" production . . . prime beneficiaries of the dual war-peacetime future of the atom. With our counsel you can share in huge profits to flow from our coming network of "throughways", the St. Lawrence Seaway and other vast projects . . . from Canada's boom . . . from the host of new products, metals, chemicals, techniques . . . ALL WITH DEEP INVESTMENT SIGNIFICANCE.

Expert Analysis of Your Present Holdings:

Our first step in serving you is to make a detailed report—analyzing your entire list—taking into consideration income, safety, diversification, enhancement probabilities—today's factors and tomorrow's outlook.

Issues to Hold and Advantageous Revisions:

Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with 1954 outlook and longer term profit potentials.

Close Continuous Supervision of All Holdings:

Thereafter—your securities are held under the constant observation of a trained, experienced Account Executive. Working closely with the Directing Board, he takes the initiative in advising you continuously as to the position of your holdings. *It is never necessary for you to consult us.*

When changes are recommended, precise instructions as to why to sell or buy are given, together with counsel as to the prices at which to act. Alert counsel by first class mail or air mail and by telegraph, relieves you of any doubt concerning your investments.

Complete Consultation Privileges:

You can consult us on any special investment problem you may face. Our contacts and original research sometimes offer you aid not obtainable elsewhere—to help you to save—to make money.

Help in Minimizing Your Taxes:

We keep in mind the tax consequences of each transaction and help you to minimize your tax liability under the new tax provisions. (Our annual fee is allowed as a deduction from your income for Federal Income Tax purposes, considerably reducing the net cost to you.)

Annual Personal Progress Reports:

Throughout the year we keep a complete record of each transaction as you follow our advice. At the end of your annual enrollment you receive our audit of the progress of your account showing just how it has grown in value and the amount of income it has produced for you.

Investment Management Service has prospered by earning the steady renewals of its clients (many have been with us 5, 10, 15 and 20 years)—through actual results that have proved our counsel to be worth many times our fee. You owe it to yourself to investigate our Service.

Full information on Investment Management Service is yours for the asking. Our rates are based on the present value of securities and cash to be supervised—so if you will let us know the present worth of your account—or send us a list of your holdings for evaluation—we shall be glad to quote an exact annual fee . . . and to answer any questions as to how our counsel can benefit you.

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Stripping for a pre-induction physical

The tobacco you see in the picture will never be used in a cigarette. Yet the quality of every Lucky Strike depends, in part, on that tobacco.

This tobacco has been gathered from farms throughout the tobacco country *in advance* of the buying season. You see one leaf being stripped of its stem prior to going through an exhaustive series of tests in The American Tobacco Company's Research Laboratory.

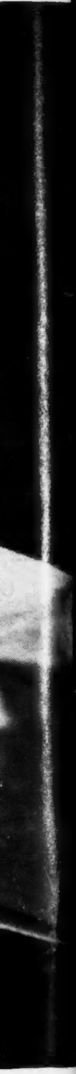
These tests determine whether the crop, in each of the many tobacco-producing areas, will or will not be accepted for use in Lucky Strike cigarettes. The tests help assure that later, in the great auction sales, The American Tobacco Company will buy only the fine tobacco for which Lucky Strike is famous.

This is just one of countless stories we could tell to illustrate how the Research Laboratory checks, tests, and controls the quality of Luckies throughout their manufacture. This ceaseless attention to detail explains why, pack after pack, Luckies are the cigarette of matchless quality.

The American Tobacco Company

INCORPORATED

FIRST IN CIGARETTE RESEARCH



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